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KEEP YOUR POWDER DRY

PATRIOTISM is the common heritage. It is a truism that the people are devoted to their country and to its success in any undertaking. Bankers, by spoken word and concrete act, have shown their patriotism. They are ready to contribute of their resources, their energy and their experience to the common cause.

But the great emergency the country now faces demands much more than the promise of sacrifice. Wisdom is needed as well as courage. In every community bankers share in business leadership. Their counsel is sought by thousands. More than on those engaged in other lines of endeavor is it incumbent upon them to guide public thought, support public confidence, prevent public error and hold the people to ways of sound thinking and wholesome living.

In everything that pertains to business economy, prudence in enterprise and wise and efficient management the banker owes a new and stricter duty to himself and the country. He must keep his bank liquid and his funds free and he must do it without diminution of accommodation to his customers. Speculative ventures must be discouraged and productive enterprise must be nourished. It is well always to consider the effect of each banking operation on the general condition.

The members of the American Bankers Association have been put to many tests. No previous demand on them measures up to the one now made. On proper financing and good management depend success. The nation has the resources. It is necessary only to use them wisely and efficiently.

Keep your heads clear and your powder dry.

P. W. Goebel

Topics of the Month

WAR BORROWING

A GOVERNMENT loan of seven billions is a war measure of surpassing interest. It is the center of the great drama and stands as the first great test of the nation's willingness to support the President. Of its success there is no question. The important problem is the manner of the distribution and the co-ordinating of the bond issue to all other war measures.

The war operations of the government cannot be separated. They are all inter-related and inter-dependent. The industrial organization back of the army and navy is an integral part of the military establishment. Neither can work successfully unless transportation facilities are adequate. Back of these three there is the food problem, and connected with them all is the matter of finance, which is concerned not only with the government's military operations but with business. Success in war, therefore, depends on success in finance, and success in finance depends on the maintenance of the business establishment. Injudicious tax plans might upset the whole complicated fabric.

The supreme problem, then, depends on the nicety of the adjustment between all these divergent factors. For instance, the resources of the banks, including the reserve banks, cannot be drawn on directly by the government for large amounts, because the continuance of business depends on the stability of the banks and their ability to continue the extension of accommodation. The bonds must be got into the hands of private investors.

Similarly confiscatory taxes cannot be imposed, because the incentive to industrial operations would thereby be impaired and business would halt.

Once the consideration of the problem in its entirety is begun, the relations between its factors develop intensely. It is found that military strength is related to labor, taxation to industrial activity, borrowings to banking strength, and food to all of them. In many instances the question for decision depends upon surpluses, not wealth, and in some the potentialities may be considered.

The matter of a goverment loan is one of bank surpluses in the first instance. The wealth of the nation may be considered in its relation to the war as an enduring condition, but wealth, as it is economically rated, is not capital convertible easily or quickly into working credit. Nor can bank surpluses be absorbed at one sweep by the government. Business has a claim on these sums.

The surpluses of all the member banks of the Federal reserve system were, on March 5, last, $1,151,303,000. The banks outside the system may have enough funds above reserve requirements to bring the total up to two billions. It is upon this resource only that the subscribers to the bond issue may draw without causing a serious dislocation of business and the declaration of moratoria. Long before the total bank surpluses disappeared in the process of the immediate absorption of all the authorized bonds, the Federal reserve banks would be called on for heavy re-discounts. Their issue power, now rather extravagantly estimated at over one billion, would be severely taxed, interest rates would advance and business would halt.

Fortunately such an outcome is practically impossible. Already $250,000,000 of treasury notes have been issued and taken by the banks against the bond issue. This issue and probably another similar one will be expended by the government before the bonds are ready. The law for the bond issue provides in section seven that the Secretary of the Treasury may deposit in "such banks and trust companies as he may designate" the proceeds of the loan, but no such deposit shall exceed the amount withdrawn from such institution and the deposit shall be secured in the usual manner, but reserve requirements shall not apply in the case of such deposits.

The indications are, therefore, that the Secretary will not make the first installment of the authorized bond issue in an amount which may not be easily absorbed without upsetting conditions, and the obvious purpose is to withdraw funds only rapidly enough to take care of the government's obligations. The result will be that funds will be restored to the customary channels very quickly after withdrawal and then the disturbance of business will be minimized.

This is approximately the plan approved by the financial authorities and concurred in by the Secretary of the Treasury. The $7,000,000,000 will not complete the war financing. Preparations are not being made for a short war. Other bond issues will follow unless the expectation of a long war goes unrealized.

Other phases of the loan are under discussion. Three billion dollars will be lent to the Allies and the Secretary of the Treasury may issue certificates of indebtedness whose total shall never exceed two billions. The treasury certificates provide a liquid security and the provision for them is a corollary to that for the bonds.

This plan prevents borrowings on long time in any larger amount than is necessary to meet actual requirements. The certificates are designed as a floating obligation which banks may handle without serious impairment of their liquidity.

The provisions of the bond bill are adequate and permit successful operation if the loans authorized are wisely distributed and the people respond

to the appeal for funds. The possibility of an inflation of prices has been only academically considered. It must be remembered, however, that bond issuing is a different proceeding from issuing fiat or even convertible currency. The hope may be expressed that the loan can be defrayed without borrowing from banks. The success of the financial venture will be greatest if funds are secured from accumulated profits to some extent and if the subscriptions are merely a shift of investment from private to public service. Banking credit must be left free as far as possible.

TAXATION

The question of war taxes is as important, and not less difficult of adjustment than the loan problem. Work on the war tax bill has only begun. Involved in this question is the provision of the war loan bill which makes the bonds exempt from taxation, both as to principal and interest. By many this is considered a colossal error. Professor Seligman, of Columbia University, has pointed out, in relation to the income tax, that "if, as is entirely likely, the income tax should be considerably raised in the next few months, and again raised during the following year, it is obvious that this unknown increase of the tax cannot be capitalized, because it is uncertain. Therefore, to the extent at least of any future increase in the income tax, the holders of bonds will enjoy an unmerited exemption. They will not be sharing the burdens with the rest of the citizens. Instead of paying a higher tax on the unearned income, they will be paying no tax at all."

Professor Seligman continues: "The tax-free provision is still more indefensible because of the existing and probably still higher so-called additional tax. If the income derived from government bonds is not even included in the returns, as is now proposed, the recipient of bond incomes saves not only the 2 per cent. normal tax (which can be capitalized), but the whole of the additional tax, which because of its variable nature cannot be capitalized. Thus, entirely apart from any future increase in rates, the wealthy owner of government bonds will enjoy an entirely indefensible exemption. And if the rates of the additional income tax are raised to very high figures, the government will lose far more revenue than it will gain by marketing the bonds at a lower rate of interest. Thus from the point of view of the government, as well as that of the public, the exemption of bond interest is to be deprecated.

"The lessons of the recent English loan are very significant. We are told that of the entire issue of about £1,000,000,000 only an insignificant fraction was subscribed for in the 4 per cent. tax-free bonds and that almost the entire sum was subscribed for in the 5 per cent. bonds not free from taxation. This shows that the English investors prefer to take their chances of a future reduction of the income tax from the present high level. But it shows above all that England is on the right track in putting its loan virtually in the shape of bonds that are not exempt from taxation. The bondholder is placed in a position of parity with the rest of the community."

The question of taxation will be worked out by a committee of Congress, and this committee will have the assistance of the best talent the country possesses, if it cares to ask for such assistance. If approximate success is to be attained a departure from the policy pursued in the last Congress will be necessary. As that policy has been declared by Mr. Kitchin, it is to tax wealth or, as he expresses it, to place the tax burden where it can best be borne. A political party may, in a time of peace, satisfy the public by such a declaration, but when the government is in need or when it demands the utmost assistance that every citizen can render, heed must be given to the dictates of common justice. Certainly no war time income tax would be classed as just if the entire proceeds of the tax plan were collected from approximately 350,000 persons.

THE RESERVE BANKS

The total resources of the reserve banks on April 20 were $986,744,000. Their estimated power of note issue is approximately $1,300,000,000. This power is still latent, but it is a reserve for business and is not to be disturbed by the financial operations of the government. The Federal Reserve Board is on record, in relation to foreign borrowing, as holding the view that such loans should appeal primarily to the investor and should not involve the use of banking resources beyond the limits of sound practice. The liquid condition of the banks must not be interfered with. What the Board said in regard to foreign borrowings in the markets of the United States applies with equal force to the war loans of this government.

The new conditions which have arisen make it still more urgent that Congress enact into law the amendments to the Reserve Act which failed of passage in the last Congress. These amendments were designed to bring into the control of the reserve banks practically all the gold in the country that is not in the pockets of the people. This would be accomplished by making the last installment of reserve funds payable into the reserve banks immediately, by inducing the state banking institutions to join the system and requiring all the reserves of all banks to be deposited in the Federal reserve banks. The execution of this plan would probably increase the gold holdings of the reserve banks by $1,000,000,000.

It is an important phase of the financial operations of the government that the Federal reserve banks are the depositaries of government funds. They will be the collecting agencies for subscriptions to the bonds. The disbursements of the government will be made by check against balances with the reserve banks. Thus, so long as all the proceeds of the government loans are expended in this country, the operations of the reserve banks will assume very much larger proportions, but the funds in no instance will be withdrawn from the channels of trade, as is the case when the government operates through the sub-treasuries. For the first time since the second Bank of the United States ceased to be the fiscal agent of the government, government operations can be conducted with a minimum of interference with business.

THE STATE BANKS

An addition to the pending amendments to the Reserve Act is found in the provision which relates to state banks. The regulations of the Federal Reserve Board in regard to the admission of state banking institutions into the reserve system are to be enacted into law. This will remove one of the cogent objections that state banks have made as to their entering the system. They have logically maintained that so long as they were subject to the regulations of the Reserve Board and the Reserve Board could change its regulations at will their position would be uncertain.

In the present emergency there is no question of the attitude of the banks. They have announced their willingness to co-operate in all matters of war financing and to dismiss all question of profit. Individually, and collectively by groups and associations, the banks have concerned themselves to increase production and stimulate agriculture. The government is dependent on their co-operation and on them, in conjunction with the reserve banks, rests the obligation to keep business going.

It would be a vital blunder to tax business out of existence and no less serious to penalize thrift by commandeering all the proceeds of it. It is no time for tyrannical dispensations. The burdens must be distributed wisely and justly. The state banks ask no particular favors. They desire that the relations they shall assume with the Federal reserve system be mutually advantageous. They are not anxious to pit their patriotism against irksome regulations. They are not eager to be subjected to laws that express the whims of some Senator for guaranteeing bank deposits. They would like to have politics dismissed from consideration and stand securely on a contractual foundation. The entry of the state banks into the reserve system depends on the government, not on the banks.

Many thoughtful bankers believe that the general banking position of the country would be stronger if there were numerous institutions outside the reserve system. They illustrate their point by arguments that have weight and are ordinarily entitled to grave consideration. Just now, however, these arguments are lost in the emergency created by the war. There is no gainsaying the fact that the Federal reserve banks should be strengthened to the limit of possibilities. This can be done only by getting into them all the reserve funds and all the gold.

The suggestion of Arthur Reynolds that the state banks be permitted to join the reserve system for the duration of the war is, therefore, not amiss. Once they are in, on whatever terms, their future conduct will be determined by the merits of the reserve system and the quality of the service that membership will permit the state banking institutions to render their customers.

CHECK COLLECTIONS

Despite the necessity for harmony in the banking world the Federal Reserve Board is endeavoring by all means in its power to force upon the banks its scheme for the par collection of checks. The joy of winning is not to be discounted, but in this instance the incidents of conflict seem to have blinded the members of the Board to matters of greater moment. It is unnecessary to consider the merits of the check collection plan here. Thousands of bankers are opposed to it. They regard it as an invasion of their rights and the curtailment of a legitimate source of profit.

The attainment of the purpose to have all checks payable everywhere at par is probably desirable. The methods to which the proponents of the plan subscribe may, however, be called into question. The par collection of checks is merely an incident in the operation of the Federal reserve banks. The working of the system itself would not be affected one way or the other by the success or failure of the plan. Moreover, if the plan is sound and scientific, and it probably is, it will win for that reason. If it is not, it should not win. No satisfactory test can be made until balances with agents are no longer counted as reserves. If either the law-making or the administrative force had possessed an ounce of finesse, no attempt to install check-collecting machinery would have been made before the last reserve funds had been paid into the reserve banks. In such circumstances the obvious advantages of using the reserve banks for collecting purposes would soon have been demonstrated. The country banks, accustomed to exchange charges, would fall into line just as the banks near large cities yielded to the advantage of clearing through neighboring metropolitan agents. Such an eventuation has probably been indefinitely postponed by the rancor of the conflict.

Not only have the country banks been made belligerent by the Reserve Board's methods, but coercion is likely to make them incorrigible. The imposition of a tax on checks entering into interstate commerce, as is proposed, will not calm the situation. Not the smallest matter for regret is the influence of the contest on the Federal Reserve Board itself. A striking tendency towards bureaucratic methods will be intensified. A growing disposition to control will be enhanced and the desire to regulate will be diminished. There will be a further departure from concord and the Board will eventually find itself absorbed by John Skelton Williams.

The Board would do better to leave the question of check collection to Congress.

THE FIRST WAR FINANCING

On April 25 Secretary of the Treasury McAdoo handed to Lord Cunliffe, Governor of the Bank of England, a treasury warrant for $200,000,000. In return Lord Cunliffe gave to Mr. McAdoo a note on behalf of the British Government for a like amount. Lord Cunliffe delivered the treasury warrant to Sir Cecil Spring-Rice, the British Ambassador, and later in the day a representative of J. P. Morgan & Co. presented it at the paying teller's window in the Federal Reserve Bank of New York. The Morgan representative received in exchange twenty cashier's checks of $10,000,000 each.

By this exchange there was transferred from the United States to the British Government a credit of $200,000,000, the first war transaction between the two governments.

The twenty checks received by J. P. Morgan & Co. were immediately deposited in various banks and trust companies in New York. They were passed through the Clearing House the following day.

As an off-set to the twenty checks against the Federal Reserve Bank of New York, that institution sent to the Clearing House on April 26 numerous checks forwarded to it by banks and trust companies which had subscribed to the $250,000,000 of 3 per cent. treasury certificates of indebtedness. The greater part of this amount was subscribed by or through New York banks and was filed with the Federal Reserve Bank of NewYork. The funds paid to J. P. Morgan & Co., returned to the Clearing House by the banks with which they were deposited off-set the amounts subscribed for treasury certificates so that the net result was to swell the clearings and leave as a balance with the reserve bank the difference between the amount subscribed for treasury certificates and the amount paid to Morgan & Co. This difference stands to the credit of the United States on the books of the Reserve Bank.

The funds taken from the channels of bank credit were thus immediately returned. By such transactions business will go on undisturbed. This demonstration of the process of transferring funds was taken as an index of the methods to be followed in the future. So long as funds thus transferred are designed for expenditure in this country, there will be no shock or disturbance of appreciable character. When the time comes to send funds abroad, to pay troops, for instance, the situation will be less certain. That, however, is a matter for future consideration.

The funds passed to the credit of the British Government will not leave the country. They will be used in liquidating demand obligations, having no fixed date of maturity and for making purchases of materials.

The purchasers of the $250,000,000 of treasury certificates of indebtedness may convert them into the new 3½ per cent. bonds when issued and, to that extent, there will be a modification of the pressure the garnering of funds for the bonds will cause. But it is the assumption that there will be another such transfer of credit—probably $250,000,000—before the bonds are ready, which will make the condition still easier for the banks. When the bonds are finally ready, a wide distribution, instead of straining the banks, will bring into activity money now awaiting investment or otherwise dormant. By such utilization of the banking machinery and such transfers of credit, fear of disturbance is removed.

The ease with which the initial transaction was performed must not, however, be taken as an augury of the future. Only banks were concerned in it. The amount involved was relatively small. The expenditures of the United States will be on a scale of increasing vastness. Just now terms of millions express the operations. Presently we will speak in terms of billions and billions are possible for these war affairs only if the people come to realize that the obligation to support the great enterprises in which the government is engaged is individual and success depends on the response of every citizen, and the reorganization of the country. Subscribing directly to government loans is only one thing. Taxation is to be greatly increased. There is no prospect of any diminution in prices. The reverse is more likely to be the case. The most rigid economy will be necessary. Mr. Howard E. Coffin's warning that indiscriminate economy may do more harm than good is timely enough. There are various ways of economizing. One way is to prevent waste. Another way, and most important of all, is to promote production through wise management, the use of scientific methods and the conservation of man power.

To hoard anything—either money or food—is inadvisable. However, there need be little fear that

any economy the people of this country may practice will have bad results. They have yet to learn what economy means. Probably they will learn but it will be a grievous experience.

THE BANK OF ENGLAND

Arrangements whereby the Bank of England will become the British agent or correspondent of the Federal Reserve Bank of New York have been practically completed. Many inquiries for amplification of the announcement in the JOURNAL for January, that such an arrangement was pending, have been received.

The Federal Reserve Act, it will be remembered, authorizes the Federal reserve banks, with the consent of the Federal Reserve Board, to establish offices or agencies or appoint correspondents in foreign countries. Through such agencies, Federal reserve banks are permitted by the Act to deal in gold, to open banking accounts in foreign countries and to buy commercial bills having not more than ninety days to run. The reserve banks have no power to deal in investments, to receive deposits—except from the agent—or to open commercial credits.

It will be seen that the scope of the activities of Federal reserve banks in the foreign banking field is so restricted that all transactions in which they may need to engage can be very well conducted through an agent or correspondent, rather than by means of the more elaborate and expensive machinery of their own offices. The proposal, therefore, that the Bank of England should act as the correspondent in London of the Federal Reserve Bank of New York would appear to suggest a very simple banking arrangement of such a character as any two banking institutions might conclude with each other; it is in fact chiefly notable in that these two institutions, with their immense reserves and with the prestige which always attaches to the business of a central or reserve bank, would doubtless conduct their business with each other along broad lines of national interest, rather than upon the more conventional basis of private profit. It is not at all surprising that banks of such similar character, and particularly those which are charged with the custody of the banking reserves of the nation, should prefer to do business directly with each other, rather than through intermediaries, as the objects sought by an alliance of this sort could best be attained by a co-ordinated and friendly policy, rather than by a discordant and antagonistic or competitive policy.

Those who are acquainted with the Bank of England, its management and policy realize that such a relationship is in a measure a departure from a certain isolation which has characterized that bank's history in the past, just as has been the case with the Bank of France. But those two institutions have themselves found it desirable to establish relations of importance with each other to which prominence attaches, whenever an emergency develops the need for co-ordinating their policy, or for mutual co-operation. It was, no doubt, recognition of the importance and advantage of such co-operation which brought about the suggestion of the alliances now in contemplation by the Federal reserve banks, and the Bank of England.

The suggestion that British war financing has not been done through the Bank of England is somewhat misleading. The relations between the treasury of the British Government and the Bank of England are intimate. A highly perfected budget system in England naturally results in considerable economy, far beyond that practiced in this country, in avoiding the carrying of idle treasury balances. As the revenues of the British Government are collected more largely at certain periods of the year than others, expenditures and revenues must be balanced from time to time by means of short loans, which usually in normal times, and particularly now in war times, are conducted by the British Government on a large scale, with or through the Bank of England. In fact, the Bank of England serves as banker for the British Government in almost every department of its affairs; it is the agent through which the government floats practically all of its loans and the only departure of importance which has been made during the period of the war has been in the issue of the so-called "currency notes." These are not bank notes but are direct obligations of the treasury; they are secured by gold held in trust by the Bank of England for the government's account, by interest-bearing government obligations which are purchased by government commissioners and deposited with the Bank of England, and by cash balances on deposit with the Bank of England. It is an open question which has been much discussed in England, whether these notes should have been issued by the government, even with interest-bearing obligations and gold and cash balances as security, or whether they should not have been issued as small denomination banknotes by the Bank of England, thereby, of course, considerably weakening the position of the central bank of deposit.

When one contemplates the character and extent of the transactions which the Bank of England has conducted for the British Government throughout the entire period of the war, one need not be surprised to discover that that fine old institution has stood as the guardian in the center of the greatest network of banking and of the greatest volume of government financing ever developed in the world's history, and has taken the shock and strain of the past two and a half years without disturbance of its credit, or of the public's confidence in its stability.

A. D. W.

War Financing of the Belligerent Countries of Europe—Great Britain

BY SRINIVAS R. WAGEL

THE granting of a credit for seven billion dollars by Congress to the government of the United States is unparalleled in the financial history of the world. It is unparalleled in the sense that such a vast amount has never been brought into the arena of practical politics either in this country or in Eruope. War expenditure in Europe has grown beyond all proportions ever dreamed of by financiers and statesmen. But there has never been an occasion when a credit for seven billion dollars has been granted; the largest single issue was that of the last loan of Great Britain amounting in all to five billion dollars, part of which was conversions.

The arrangement by which the Allies are to obtain loans to the total of three billion dollars out of this loan has also no parallel in financial history. It has rarely been the custom in recent decades for one government to loan to another, although it was quite usual for the government of one country to make public issues in another with the consent of the government of the latter country, of course. The direct loan, such as the one to be made by the United States to the Allies, is the beginning of a new era in financial operations.

A study of the progress of war finance in England during the past two and one-half years is of double importance to us, first:—

Because England is our Ally and will receive the largest part of the accommodation that is to be offered by us to all the Allies, and next:—

Because England has been for several decades the chief controller of the international money market.

There is no doubt that at the outset England belittled the financial and other difficulties that she would have to surmount in order to win the war. England was especially careless about the total of the expenditure for carrying on the campaign against the Central Powers. The daily cost of the war to England is now $39,000,000 as against $30,000,000 in the latter half of 1916, $25,000,000 at the close of 1915, $17,500,000 in the beginning of 1915 and about $7,000,000 at the commencement of the war. From August 1, 1914 to March 10, 1917, Great Britain has spent $20,040,000,000, of which she has loaned $4,378,500,000 to her Allies and Dominions. Great Britain has been financing Russia, and up to the end of January she had loaned over $1,600,000,000 to that country. Even before Russia joined the Allies, she was receiving financial aid from England. Italy has been almost absolutely dependent upon Great Britain for even her ordinary expenditure and is borrowing at the rate of about $120,000,000 dollars a month. Portugal, Servia and the Greek Provisional Government are all being supplied by Great Britain with the necessary funds. Great Britain is now bearing a burden which would bring any other nation in the world into immediate bankruptcy. The growth of her war expenditure and the manner in which she has met the total may be briefly summarized:

Financial Year, 1915, (August 1, 1914 to March 31, 1915)	
Total spent	$ 2,806,000,000
Raised by revenue	835,000,000
Net borrowings	$ 1,970,000,000
Financial Year, 1915-16	
Total spent	$ 7,304,000,000
Raised by revenue	1,638,000,000
Net borrowings	$ 5,666,000,000
Financial Year, 1916-17, (April 1, 1916 to March 10, 1917)	
Total spent	$ 9,930,000,000
Raised by revenue	2,497,000,000
Net borrowings	$ 7,433,000,000
Total war expenditure up to March 10, 1917	$20,040,000,000
Raised by revenue	$ 4,971,000,000
Net borrowings	$15,068,000,000

At the outset of the war the government took efficient steps to concentrate the country's gold. The run on the Bank of England and other banks which started on August 7 was stopped, and the government suspended the Bank Act. The Bank, however, did not take advantage of the suspension and has been able to maintain its old position in many respects. On June 30, 1914, the active circulation of the Bank of England was only $164,899,000. On January 1, 1915, $428,120,000 worth of notes were issued by the Bank, principally because it was able to increase its gold coin and bullion to $335,685,000. But the currency position of the government was far from satisfactory. The government needed more money because of the hoarding of gold by the general public and the augmented liabilities of the joint stock banks on account of their increased deposits. They issued special currency notes with a special reserve of $121,625,000 in gold. The volume has been increasing ever since, and on March 14, 1917, the total of currency notes outstanding was $699,694,000—the gold reserve in the meanwhile having been increased to $138,652,500. The Bank of England, however, has maintained the note circulation at the level of about $340,550,000. Further

accumulation of gold proved impossible ever since Great Britin was forced to send gold to the United States in order to settle her adverse trade balances. The currency problem, therefore, was the least difficult of all in Great Britain. The note circulation, including that of the currency notes, is the lowest of all the belligerent countries.

At the outset of the war Great Britain proposed to meet war expenditure by raising long-term loans and obtaining as much new revenue as possible. The highest normal revenue was in the fiscal year ended March 31, 1914, the actual receipts into the Exchequer being $963,270,000. The largest normal expenditure was also in the same year, the actual payments out of the Exchequer being $960,837,500. For the nine months ended March 31, 1915, the government was able to raise $835,603,000 by revenue. The pace at which taxation has increased in Great Britain is evidenced by the fact that $1,638,000,000 was raised in revenue in the fiscal year 1915-16, and $2,497,000,000 was raised in the fiscal year 1916-17 up to March 10. New duties were levied, and practically all ordinary sources of revenue yielded more. Taking the several sources, the following comparison between the receipts of the last normal year, 1914, and the current fiscal year up to March 10 may be found interesting:

	1914	1917
Customs	$170,275,000	$321,090,000
Excise.	189,735,000	252,930,000
Property and Income Tax, including supertax	228,655,000	875,700,000
Postoffice	102,165,000	145,950,000
Excess profits duty, including munitions levy	———	617,855,000

The minor sources of revenue have remained unchanged. The import duties on certain commodities have been increased to such an extent as to make it practically a protectionist tax. The motive, however, is solely to obtain revenue, as practically every industry is now state-controlled and employed in the production of the necessaries for carrying on the war. Since the fiscal year 1915-16, the addition to the revenue has been practically made up of the Excess Profits Tax and Property and Income Tax.

The government policy on loans enunciated at the outset had to be modified somewhat owing to circumstances over which there was no control. The issue of treasury bills, as well as war saving and war expenditure certificates, was resorted to in the beginning. Recourse to such financing would have been proper even in normal times; and according to its original plan, the government issued its first war loan of $1,701,000,000 in November, 1914, at 95. This loan was issued at 3½ per cent., redeemable 1925-28. This issue more than covered the expenditure up to that period, and left a balance to carry on the war for three months more. The cost of the war was increasing at a very rapid pace, which the government did not expect or forsee. The government was anxious to keep the issue of treasury bills at as low a level as possible, because they believed that too much floating debt would not prove very healthy to the country's finances. They then issued 3 per cent. Exchequer bonds. Later, they had to increase the interest to 5 per cent., and 5 per cent. Exchequer bonds were freely taken by the public. The issue of these 5 per cent. Exchequer bonds continued up to March 31, 1916, and subscriptions began to fall off in the subsequent months. Since September, 1916, they have had to issue 6 per cent. Exchequer bonds. Practically all these bonds, in which about $2,500,000,000 were invested by the British public, are redeemable in 1920-21.

The government still clung to the policy of consolidating its debt at as early a date as possible, and the second war loan of $3,489,000,000 was issued in July, 1915, at par. The interest was increased from 3½ per cent. to 4½ per cent., and the loan was redeemable in 1925 and 1945. The actual amount received from the loan was, however, $2,913,000,000 because $576,000,000 worth of 3½ per cent. first war loan bonds were exchanged for the new bonds.

By August, 1915, the financial situation was becoming unduly serious. The government found itself obliged to make heavy purchases from the United States, and owing to the credit conditions in this country settlements had to be made with great rapidity. The matter came to a head in August, 1915, and it was found imperative that means should be devised with the least possible friction and delay. A British Commission headed by Lord Reading arrived in this country in order to discuss plans with American bankers. The United States Government maintained strict neutrality, but was not unwilling to give moral support to any plan which tended to maintain the prosperity of this country. There were two courses open to the British government to make settlements of purchases. Owing to the dislocation of commerce caused by the war the monthly average of adverse balance which Great Britain had to meet was about $200,000,000. In this connection, it is necessary to state that during the whole period Great Britain has been acting as the banker in the United States for all the Allies, besides furnishing funds and war material for them from her own shores. Especially about September, 1915, Great Britain and France were co-operating more actively than Great Britain and the rest of the Allies. Russia was being financed by Great Britain to a moderate extent. Even as early as April, 1915, Great Britain was guaranteeing Russian purchases in Japan and some payments on Russian account were made by England in the shape of treasury bills to Japanese manufacturers. To meet the adverse balance caused by the heavy purchases of war materials and food supplies by England, that

country had a choice of two courses: sending gold or arranging credit in the United States. Before September, 1915, all the Allied countries were anxious to conserve their gold supply mainly with a view to maintain an adequate reserve for the paper circulation. The course that appealed most was the raising of a loan in the United States. In their own interests the bankers and manufacturers in the United States were willing to grant the necessary credit, and the Anglo-French 5 per cent. loan for $500,000,000 was issued in the United States in October, 1915. This loan was put out at 98 and is redeemable in October, 1920.

In the meanwhile, the progress of the war was not as satisfactory as had been expected. In spite of the fact that supplies from the United States were being taken as fast as they could be manufactured and delivered there was a lack of munitions at the theatres of war. Great Britain had increased the number of men under arms to about 4,000,000 from 500,000 at the commencement of the war. Let alone the lack of munitions and other war supplies, the taking away of millions of able-bodied men from the normal walks of life reduced the capacity for the production of foodstuffs and other necessaries of life. Great Britain and the Allies were purchasing in all the markets, the United States being the greatest supplier of all. The great demand for all commodities from this country contributed to increase the prices from day to day. Steel, copper, grain and cotton (to mention a few of the necessary commodities) increased in value three and fourfold—thus adding to the total which England had to pay month after month.

Circumstances compelled Great Britain to take control of and practically nationalize all industries. Factories which were turning out peace goods had to be converted into munition factories. Railways had to be placed fully under the control of the government. Steel works were all turned into government supply factories. The coal mines were being nationalized. Even capital was gradually being brought under the control of government, so much so that new investments in other than government bonds or treasury bills, or such enterprises as were necessary for the conduct of the war, were, for all practical purposes, prohibited.

Owing to this unprecedented change in the economic fabric of the country, the British government was not sanguine about the issue of new loans, but there was no let-up in expenditure which had to go on in increasing volume from day to day. The British authorities had to offer as attractive terms as were possible in order to make the public invest in government paper. War expenditure certificates and war saving certificates were resorted to on a larger scale in the early months of 1916. The war expenditure certificates redeemable in two years at par were issued at 89. and the war saving five-year certificates were also issued on a large scale; for instance up to March 31, 1916, the total of war saving certificates was only $5,750,000. Before the first of December the total was $200,000,000. But the treasury indebtedness was piling up. The treasury bills were issued to meet the greater part of the cost of the war. At first, there were six-months maturities. Later on, one-year treasury bills were issued. On April 1, 1916, the total of treasury bills outstanding was to the value of $2,753,000,000. On September 30, 1916, the total was $5,124,000,000; on January 1, 1917, it amounted to $5,450,000,000.

While this was the case with internal financial conditions in Great Britain, her purchases outside were increasing in such volume that she was obliged to take recourse to borrowing extensively and almost indiscriminately. Partly owing to the taking-up of Russian indebtedness in Japan and partly owing to her own purchases, Great Britain had to raise credits for $100,000,000 in Japan on the security of her treasury bills. The banks in England were also borrowing on behalf of the government. Great Britain paid $35,000,000 to Holland in treasury bills for her sugar purchases from Java. Dutch balances held in England prior to the war were also settled by the British treasury and the Bank of England giving two-year notes for $60,000,000 to the Dutch banks. The banks in Sweden and Norway loaned $18,000,000 to the British banks. A loan of $5,000,000 was made by Spain to Great Britain. British treasury bills with the signatures of British banks were used in payment for purchases in the Argentine; but even more than in 1915 purchases in the United States were fast increasing in volume, and the amounts payable each month were increasing in a very fast ratio. When it was found that it was not possible to make all settlements by obtaining credits in the United States, Great Britain commenced sending gold to this country. The first tide in this direction began in October, 1915, and since then there has been a steady flow. This gold came from the South African and Australian mines, Russian Imperial Bank and the Bank of France. Great Britain, herself, was able to give a large part of the gold that was sent to this country—although even before the war the total stock of gold in Great Britain was estimated at only about $700,000,000. The total of $1,200,000,000 that has been sent on account of Great Britain and her Allies has been obtained from the following sources.

Mines in British possessions, principally South Africa	$600,000,000
Contribution of the Bank of France	400,000,000
Contribution of Russia	200,000,000
	$1,200,000,000

Even this amount enabled Great Britain and France to meet dues for only about seven months.

The British treasury bills were introduced in

this country on a rather extensive scale—the manufacturers being willing to take them as payment for their sales. Yet there was no relief, in spite of the flow of gold. Consequently more loans had to be arranged in the United States. For obvious reasons, the public in the United States, having no experience of government financial transactions on a large scale, did not take kindly to unsecured credits or loans. The British government, therefore, was obliged to give collateral for the two loans that were raised in 1916. The collateral was composed of United States industrial securities and British-owned securities of Latin-American republics, Canada, India, Japan, Egypt and Australia. The first collateral loan was issued in September, 1916, for $250,000,000, the interest being 5 per cent., the issue price 99 and the notes are due on September 1, 1918. The second loan was issued in November for $300,000,000, with interest at 5½ per cent. Half of it is due in three years and half in five years.

The British colonies were willing and anxious to help financing, apart from supplying the mother country with money. The total borrowings of Canada up to date amount to $495,000,000, $100,000,000 of which has been issued in New York. The financial institutions in New York have contributed a considerable amount to the loans issued in Canada itself.

In the early months of the war all the British colonies that had been accustomed to obtaining their capital needs from Great Britain found their main sources of supply cut off, and Great Britain had no other course but to advance funds to the colonies in spite of her difficulties. The total amount loaned by Great Britain to the colonies during the period of the war is estimated at about $400,000,000. Australia has raised four loans, three of which were internal issues and the other was obtained in London. The total of Australian loans is estimated at about $350,000,000. The Indian Government has also contributed to the war needs of the mother country. India has taken treasury bills in London to the extent of $17,500,000 and about $150,000,000 of the gold in the Indian Currency Reserve has been invested in British war bonds. The Indian Government has issued an internal 4 per cent. loan of $15,000,000, and in March this year India made a gift of $486,000,000 to Great Britain. A very small part of this amount has been raised in loans in the country, and the Indian Government has agreed to defray the interest and amortization cost on the balance.

Early this year, the British Government was confronted with a very serious problem. The colonies and India had done their utmost and some means had to be found to remove the large floating debt in the shape of treasury bills, in order to raise new money to carry on the war which was being prolonged unconscionably. The problem before British financiers and statesmen was how to remove the $5,500,000,000 worth of treasury bills from the market. The government was chary of issuing a loan which was likely to fail; but they had already waited for over eighteen months and took a bold plunge in issuing an unlimited loan. The result was extremely encouraging and surprising to the British statesmen themselves. More than $6,383,000,000 was raised out of this new loan. Only $632,450,000 of this was in conversion of treasury bills, the balance being practically new money. But during the course of the issue, the government adopted a new plan; they proposed to let as much of the treasury bills circulate as possible and use the proceeds for carrying on the war. The result was that the circulation of the treasury bills was reduced only by $2,432,500,000, the circulation in the beginning of April being $2,803,803,000. The need of the government has, however, been so great that in spite of the new money obtained from the loan they have decided to issue new treasury bills.

So far as can be ascertained, the loans of Great Britain and the colonies, outstanding at the end of January are:

A. Internal long-term loans		
3½% first war loan red. 1925-28, Nov. 1914 at 95.		
Amount subscribed	$1,701 000 000	
Less converted into 2d war loan	656,100,000	
		$1,014,900,000
4½% 2d war loan red. 1925-45, July 1915 at par.		
Cash sub. on conversion.......	$2,031,480,000	
Other cash sub.................	801,900,000	
Exchanged for 3½% 1st war loan	656,100,000	
		3,489,480,000
Third loan issued January, 1917		6,383,000,000
		$10,917,380,000
B. Internal short-term loans		
(a) Exchequer bonds:		
3% Exchequer bonds, due March, 1920.....		$ 153,333 000
5% Exchequer bonds, due 1919, 1920, 1921 issued at par		1,625,764,113
6% Exchequer bonds, due 1920, all issued at par since Sept., 1916....................		771,152,660
(b) Treasury bills, etc.:		
Treasury bills		2,803,803,000
Treasury bills abroad.........................		539,036 450
War expenditure certificates		145,209,510
War savings certificates		206,307,000
Treasury indebtedness held as col. for the currency notes		556,014,267
		$6,800,620,000
C. Credits abroad		
Britain's share of the 5% Anglo-French loan, due Oct. 1920, in the United States Oct. 1915, at 98............................		$ 250,000,000
5% 2-yr. secured loan gold notes, due Sept. 1, 1918, in the United States Sept. 1, 1916, at 99		250 000,000
5½% secured loan gold notes, issued Nov. 1916 in U. S.		300,000,000
$150 000 000 due Nov. 1, 1919, sold at 99¼		
$150,000,000 due Nov. 1, 1921, sold at 98½		
Advance by Japanese Government (July, 1916, secured by Treasury bills)........		50 000,000
6% 3-yr. Exchequer bonds, due 1920 (issued in Japan Dec. 1916, at par).............		50,000,000
Credits in Holland, Scandinavia, Spain, etc.		100,000,000
Total credits abroad.....................		$ 1,000,000,000
Total		$18,718,000,000

Our Loans to the Allies and the Future of Gold Movements

Some Understanding Seems Advisable Between the United States and Great Britain Relative to the Continuance of Shipments of Gold to This Country After Money Authorized by Congress is Placed at the Disposal of the Allies

BY I. NEWTON HOFFMANN

IT is gratifying to the people of the United States that although this country can do relatively little in the way of giving military and naval aid to the Allies in the war against Germany, the nation is in so excellent a position in respect to the rendition of financial succor. There is scarcely any doubt that next to the moral support, which the Entente nations must value very highly, the entry of the United States into the war is looked upon on the other side chiefly as the acquisition of a wealthy partner. As such, this partner is equally interested in the common cause made against Germany, but in the business of war only little is expected of him in a practical way; he has had little experience or training, but he is essentially valuable as the provider of funds.

In any partnership, the man supplying the capital stands as high as, if not higher, than the man contributing his practical knowledge of the business and who furnishes his time and labor in the interest of the enterprise in which both partners share alike. Just as it is to be presumed that two men entering into a partnership agreement are friends, having the fullest confidence in each other, so it may be taken for granted that the United States sincerely cherishes the utmost confidence in France, Great Britain and the other enemies of Germany and believes that in the battle for democracy, the individual nations arrayed against autocracy will be truly democratic in their relations with one another, and that all selfish considerations will be set aside.

Practically the first piece of legislation considered and adopted by the American Congress following the declaration of war was the war bond bill, providing for an issue of $5,000,000,000 of bonds, $3,000,000,000, or three-fifths of the proceeds of which are to be used as an advance to the Allies. Not only is the United States supplying Great Britain and the Allied nations with cash in generous volume and on most advantageous terms, but the government is foregoing the taxes it would receive were the foreign governments to place their own obligations in this country, the bonds of the United States being exempt from all Federal, state and local taxation. As for the rate of interest, the Allies will pay the rate current for American obligations, and it is safe to estimate that borrowing under the arrangement made by our government reduces the cost by at least one-half.

While the United States has entered into this so-called partnership on the most friendly terms, with no ulterior motives, but simply actuated by a supreme desire for victory, it is not out of place to suggest that in working out the detailed arrangements some little attention should be given to the terms of partnership. In the case of individuals, as in the case of nations, each party to an agreement, no matter how lofty in ideals, and how much concerned over the results to be accomplished, is wont to give just a little more consideration to its own interests. Unconsciously, each party realizes that the elements of "making a bargain" enter into the negotiations and that naturally it is the duty and expectation of each party to see that the agreement entered into is absolutely just and equitable, each, however, giving special attention from its own point of view to the part it is going to play.

It therefore seems only proper that, in lending money to the Allies on unusually fair and advantageous terms, the United States should exercise judgment and foresight. While the writer does not subscribe to the generally accepted belief that the lender can dictate terms to the borrower—a condition which has only slight application in the present instance—still, there is no reason why the borrower in the case under consideration should not act with prudence, making due allowance for native selfishness of all concerned, and at the same time give some thought to the future.

It does seem fair and proper that the United States should have some understanding with Great Britain to the effect that the shipments of gold to this side are not to cease after the money authorized by Congress is placed at the disposal of the Allies. The net imports since the outbreak of the war have amounted to approximately $1,250,000,000; and for the past two years the imports have been at the rate of approximately $500,000,000 per annum. The foreign government loans floated in this country since the beginning of the war aggregate close to $2,500,000,000. Thus it will be seen that the gold imports have amounted to about one-half of the loans. The American securities repurchased by the people of the United States during this period total about $2,000,000,000. It is quite evident that if the United States had not entered the war, Great Britain would have been obliged to make further shipments of gold and that in negotiating additional

loans she would have found it necessary to furnish collateral security as she has recently done; and, moreover, that the cost of raising funds would be at least double what they are under the proposed arrangement. In view of the great ease with which England and her allies will be able to finance their purchases of material here, it seems not unfair to expect (if not to request) that she continue her gold shipments at approximately the same rate as has prevailed heretofore.

It should be observed that England was so liberal in her gold shipments for wholly selfish reasons: namely, for holding down money rates in this country so that the rates charged for her loans might not be higher than they were. The gold received here helped a great deal in keeping the banks in a comfortable position, and the immense accumulations of the precious metal have made money very easy. It would certainly be unseemly for Great Britain to stop gold shipments now when the rate for her loan requirements has been practically fixed,—although the rate of 3½ per cent. mentioned in the war bond bill may be raised should the Secretary of the Treasury decide to do so, in which event Great Britain will have to pay a corresponding increase—when until this time, she took special pains to nurse the American money market with her gold.

It will be recalled that a year ago many bankers expressed the view that the foreign gold was not needed and not wanted, and a movement was on foot for restricting gold imports. The Federal Reserve Board, however, it should be mentioned, did not endorse this view, and on the whole the proposal met with a difference of opinion. With our government putting out $5,000,000,000 of its bonds, and certificates of indebtedness of amount not exceeding $2,000,000,000, it is manifest that banking and general monetary conditions in this country will be very different from those a year ago. The sale of such a huge amount of securities will naturally be a severe strain on our banking resources and there can be no gainsaying the fact that it will lead to considerable expansion of credit, and a great increase in note issues. Under the circumstances it appears evident that under the changed conditions this country could use to good advantage every ounce of gold that Great Britain and France and Russia can send here, and for that reason it is suggested that our government reach some understanding by which these nations will agree to continue their gold shipments to the United States.

A word as to the future. All the nations of Europe are looking forward to trade and finance problems after the war, and in many instances present actions are largely guided by post-war conditions. England, for one thing, has looked with dismay and apparent chagrin upon the rapid progress made by the United States since the outbreak of the war in assuming the financial leadership of the world. England feels that the supremacy had been forced upon this country and that its permanance is questionable. London is yearning for a return of its former status and the pre-eminence of sterling exchange the world over. It has looked with displeasure upon the rapid extension of dollar exchange in South America, China and Japan and elsewhere. Recently a leading financial newspaper of London referred to the substitution of dollar exchange for sterling as "a most pernicious suggestion." London banks with agencies in South America have, in some cases, instructed their branch offices not to handle dollar bills, the idea being to retain a hold on sterling exchange and to avoid exporters and importers becoming so accustomed to dollar exchange that after the war they may be disinclined to revert to sterling bills.

In view of what is going on in England, it is reasonable to expect that American bankers and American government officials will give some attention to after-war conditions in connection with the present war finance plans. It should be stated that it is to the interest of this country and everybody else that the financial institutions of England and France and all the other countries should not be crippled, for after the war the United States will naturally endeavor to do as much business with the nations of Europe as it has done in the past, and in the interest of mutual trade relations it is important that both buyer and seller should be free from financial embarrassment. But at the same time, the United States should do everything proper and fair that will aid it in maintaining the financial supremacy it has attained. With that end in view, every effort should be made to strengthen the banking position of this country, especially by the further accumulation of gold. There is no doubt whatever in the minds of bankers that after the war, all the nations of Europe will strive hard to regain part of the yellow metal sent to this country in such large volume. The more gold that we shall have accumulated the better will we be able to spare without inconvenience to ourselves.

The London financial correspondent of the *Evening Post* (New York), in his cable of April 21, very properly said: "Future gold movements to America ought to be settled by mutual arrangements between our financial experts and yours, on the broad basis that as the chief lender, you must have adequate gold as a basis for the extended credits—no more and no less."

FINANCING THE WAR

BY ARTHUR REYNOLDS
Vice-President Continental and Commercial National Bank of Chicago

Extracts from address before the Chicago Association of Commerce, Wednesday, April 18, 1917.

Let us not deceive ourselves. Now that we are in the war, it is vitally important that we do not underestimate its magnitude, but that we weigh in the balance with analytical precision each problem and development as it is brought to issue. We are confronted by the most serious problem with which we have had to deal in our entire history as a nation. The world is in an upheaval and we have been plunged into the vortex.

Not the least of our troubles will be the financing of this stupendous effort. To what extent we shall have to go in this direction no man dare predict. All we can say is that the financial load will be heavy during hostilities and for years thereafter. The expenditures, necessary expenditures, will be enormous.

Up to the beginning of 1915 we were in reality a debtor nation; though export and import figures usually showed a comfortable balance in our favor, this visible balance was more than absorbed by the invisible. Then the economic status of this country changed quickly and to an astonishing degree. Europe had urgent need for everything we could spare from farm, mine and factory and we sold at constantly rising prices.

From a condition of perturbation as to how we could settle even our emergency obligations abroad, almost instantly we became purveyor and banker to the world. Foreign countries sent us streams of gold and we bought back millions of our own securities held across the water and absorbed other millions of bonds issued by Great Britain, France, Russia and other governments. It is important to remember that the interest and dividends on these securities now remain here and swell our investable assets. We have added considerably over one billion dollars of gold to our holdings since the close of 1914. Today we have more of the yellow metal, the basis of money transactions, than any other country. Before the war we had about two billion dollars of gold; today we hold over three billion, or about one-third of the gold of the world. Any sordidly selfish persons who think the hoarding of gold during this war will bring them a paltry soul-searing premium, will be doomed to disappointment. There will be no lack of gold in America.

Acquisitions of gold and securities do not tell the whole story of our strength. Under date of March 5 the Comptroller of the Currency issued a call for statements of all the national banks. The response exhibits a remarkable ease as to reserve money held by the 7,500 odd national banks, the excess above legal requirements being $1,100,000,000. In making up our statement of assets, we should not overlook the excess reserves carried by the 17,000 or 18,000 state banks. The figures of the latter are not available down to as recent a date, nor in as complete form, but I watch them in a general way and know that the state banks also carry considerable excess reserves.

During the period under review every laborer willing to work has been employed full time or better at wages higher than ever before known, the mines have increased their output tremendously, manufacturers have been crowded to the limit of capacity in their endeavors to fill orders, and both wholesalers and retailers have faced an insistent and increasing demand for all kinds of goods. The agricultural community has prospered very greatly in all sections. Deposits in commercial and savings banks have increased month by month.

Practically everybody save the banker has made money on an unprecedented scale. The very nature of our unusual and unparalleled activity has prevented the banks from sharing in the profits harvested in all other lines. The inflow of gold has kept interest rates down to a point where bank earnings, in the main, have been less than normal, but the bankers are not complaining. They are eager to serve their country in the hour of peril.

A few days ago wonderfully interesting figures were published in the daily papers. They showed the relative wealth and indebtedness of different countries at the commencement of the war, as follows:

	Debt	Wealth
Great Britain and her possessions	$ 7,436,000,000	$130,000,000,000
France and her colonies	6,071,000,000	55,000,000,000
Germany	1,174,000,000	85,000,000,000
Austria-Hungary	3,975,000,000	25,000,000,000

Other countries were named, but these will suffice. They had a combined debit of $18,656,000,000, and aggregate wealth of $295,000,000,000, while the debit of the United States the first of the present month was $1,223,773,000, and our wealth was recorded at the astounding figure of $250,000,000,000, within forty-five billions of dollars of the combined wealth of all the great nations which I have just mentioned. These countries engaged in a great and destructive struggle covering nearly three years, since the date for which their figures were compiled, could not have increased their wealth, while their indebtedness is larger by many times.

With the foregoing in mind, can any one doubt the formidableness of our financial strength or our ability to raise funds with which to conduct a long and costly war, if, unfortunately, it should come to that.

GOVERNMENT AND BUSINESS

BY HON. PAUL M. WARBURG

A few meaty extracts from his address before the Commercial Club of Chicago, April 7, 1917.

It is a profound satisfaction to all of us to know that never before was this country financially as strong and as well prepared as it is today. During the last three years our gold holdings have increased by 57 per cent. from $1,900,000,000 to about $3,000,000,000. In addition, as you are well aware, we have improved our position as against other nations by repurchasing our own securities and making foreign loans to an amount approaching $5,000,000,000. Moreover, by the establishment of our Federal reserve system we have organized this enormous strength.

We have available a vast supply of notes of undoubted solidity ready to be issued whenever there may be a demand; and, through the inter-district gold clearing fund, we have established machinery for the freest exchange of balances between the various parts of the country. Instead of shipping currency from one district to another we have transferred ownership of gold by book entries averaging about one billion dollars a month for the more recent period. Our clearing per day amounts now to about $100,000,000. Not by any stretch of imagination could we perceive the possibility of a gold premium between the various American centers or a currency famine as in years gone by. About our power to take care of ourselves there can be no doubt. But in view of the unparalleled demands that may be made upon us both during the war and after the conclusion of peace—demands which it may be our highest national interest and duty to satisfy—we should not neglect to perfect our financial machinery to such a degree as to give it the greatest possible strength.

For this reason the Federal Reserve Board has again recommended to Congress amendments having for their object a still further concentration in the Federal reserve banks of gold now held in scattered bank reserves and a more liberal substitution of Federal reserve notes for our present rigid 100 per cent. gold certificate circulation.

Greater Financial Mobilization

One billion dollars, one-third of the gold holding of the United States, is at present "unaccounted for"; you and I carry it in our pockets, it is in the tills of the baker, the grocer and the dry goods store. We all would just as leave take Federal reserve notes—our government's absolute obligation secured at present by practically 100 per cent. of gold and all the assets of the Federal reserve banks. It is as apparent that it would increase our strength enormously if we could add to our organized reserves a substantial portion of this wasted gold, as it is obvious that it would be nothing short of a crime wilfully to withhold from our country at this time so vital an addition to its power of offense and defense.

Unfortunately, in the general tie-up of all legislative work at the end of the preceding session, Congress was unable to pass the desired legislation. It is most essential for the best interest of the country that prompt action be taken by the present Congress and it is most desirable that public opinion assist the committees on banking and currency in securing early and favorable consideration of these amendments, which will enable us promptly to complete our financial mobilization.

Government Regulation

If in Europe it is necessary to have governments take an active part in organizing industries and banking, may we assume that it can be done without government regulation in a country which by law and sentiment much more than Europe is opposed to extensive combinations in industries and banking?

We are all in accord, I believe, in thinking that, if at all possible, the operation of industries by party governments in the United States should be avoided. Where regulation is required and where regulation borders on the field of operation, it is best exercised through non-partisan government bodies. Leaving aside the councils and commissions organized for the purpose of dealing with emergency situations, we have bodies of that kind in the Interstate Commerce Commission, the Federal Reserve Board, the Federal Trade Commission, the United States Shipping Board, and the Tariff Board. The task of government regulation is as complex as it is ungrateful. It is largely a judicial function. Those charged with it must hear the producer and the consumer, the shipper and the carrier, the borrower and the lender, and find a course that is fair to all, at the same time taking into consideration the larger question of the interests of the entire country in its national and international aspects. In addition, the problem of the producer and the shipper must be dealt with from the two-fold point of view of capital and of labor.

Without governmental bodies of this nature, which take a judicial and at the same time constructive point of view, the only remaining solution would be government ownership and operation.

If it is obvious that these bodies perform functions of the very highest importance in regulating transportation and finance, in developing equitable tariffs, and in seeking to develop ways and means by which our industries may organize for joint and effective competition in foreign fields, why, then, if

this is so obvious, does business look upon the work of these bodies, generally with apathy, and frequently with ill-disguised animosity?

I believe there are four main reasons:

First: We are a highly individualistic people; we cherish our personal liberty and naturally resent any kind of compulsory regulation as bothersome and unnecessary interference;

Second: There is a strong belief amongst American business men that they "know better," and that any government requirement or regulation is bound to be theoretical rather than practical; extreme and destructive rather than helpful;

Third: It is natural that those should be dissatisfied who in the past had a larger piece of pie than was due them, which consequently had to be cut by government interference;

And, finally, it is equally natural that those should be dissatisfied whose slice, small in the past, has been increased by the government, but who now feel resentment that they can not have the whole pie to themselves.

We need not lose much time over the last two classes, but we may devote some thought to the first and second.

True democracy can not resent self-imposed regulation as an infringement on personal liberty; it would be that only if it were imposed by others. We willingly accept police regulations as measures adopted by ourselves for our own personal safety. Why, then, should we revolt against regulation that deals with the much larger question of national protection?

Putting the question in this way is to answer it: "Because, in our daily life, we value our personal interest higher than that of the country."

These last months have brought us face to face with problems of extreme gravity. Their redeeming feature has been that they have awakened in us the willingness to consider our country first, and to place our personal comfort and interest where they belong—in the second row. But our lesson would be only half learned if we did not begin to apply it in peace as well as in times of stress or war.

As to the second charge that these boards are largely filled by men stronger in theory than in practice, I believe that in thinking of them many of you have in mind Bernard Shaw's sarcastic remark, "He who can, does. He who can not, teaches."

Do not overlook that these boards will have to act as buffers and balance wheels, not only between the various business interests involved, but also between emotional and changing factional government influence on the one side and the needs of quiet and steady economic evolution on the other. Capital and labor, farmer and manufacturer, shipper and carrier, all have their spokesmen in Congress, often representing as one-sided a class view as the classes themselves. To understand all parties to the controversy, to combine the business man's point of view, as well as the farmer's, with the more detached conception of a non-partisan, expert government body; to arrive at the judicial and national point of view; to discover the proper middle course conducive to the best interests of the entire country; to prevent harmful over-regulation in either direction; to overcome mutual distrust, prejudice and suspicion of all parties concerned, is a task deserving of the best talents and the strongest characters of the nation.

The scope of government regulation in business matters all over the world will not decrease but rather increase in the next twenty-five years. Modern states can no longer succeed without it. For us it is no more the question of whether we shall or shall not have government regulation, or promotion, in certain branches of our business life. The problem is to find its most efficacious form. Unless we do, we shall fail to hold our own. For us, the question is only shall it be a non-partisan, expert regulation or one changing with changes in party government.

Business men must feel toward these boards as lawyers do toward the Supreme Court. Just as any lawyer might be expected to give up a highly remunerative practice in order to accept a call to the Supreme Bench, so the government must feel that it is entitled to ask the best business minds to serve on a supreme bench, if you please, of transportation, banking or trade. It is true that being a member of these boards entails sacrifices of a material and, what is more, of a personal nature; but, if in England, France and Germany the flower of the nation always stands ready to serve its government, why should our country find its citizens less ready to follow its call?

Some Problems of the Reserve Board

For almost three years the Board has been striving towards the perfection of this greater financial mobilization. How many business men have followed the work of the Board; how many have raised a hand in its support? How many realize that what really caused the fatal delay in acting upon this legislation was, as we have reasons to believe, a side issue bearing no relation to the proposed amendments? It was the question of whether or not there should be added to the amendments the right, advocated by a large number of small country banks, to make certain exchange charges prohibited by the Federal Reserve Act. Whether or not these charges should be permitted or refused is a matter for Congress to decide, but it does not seem reasonable that vital legislation should be withheld or delayed at this time on account of an issue which ought to be settled independently upon its own merits.

The exchange problem would not offer so much

difficulty if it were not that the member banks feel it a hardship that they should be asked to provide the entire system of protection for the country while the state institutions not only do not contribute their share but, in addition, are free to make exchange charges and to conduct their business as they please. The state banks and trust companies, not counting the savings banks, have deposits of about nine and a half billion dollars, and outside of the system carry cash in their vaults amounting to $600,000,000. A large portion of this cash ought to be added to the general reserve power of our country.

If some of the directors or presidents of state banks or trust companies were asked by their neighbors to join in paying for a watchman to patrol the neighborhood of their private residences, would any of them say: "Why should I? As long as you, Mr. Neighbor, pay the watchman for your house, I am protected anyhow without my paying for it."

The System as a "Club"

Early training in banking in Europe has inculcated in me an aversion to banking by regulation when, by intelligent voluntary action of the banks, the same result can be achieved. But in Washington I am constantly met with the view that without compulsion it is impossible in the United States to make any headway. I have been unwilling to surrender to that point of view. I liked to think of the Federal reserve system as of a club which the strongest and best banks consider it an honor to join, and not as of a "club" to swing over the heads of the banks in order to coerce them into sound banking co-operation. It is a most satisfactory fact that in almost every important city some leading state institutions have come in voluntarily, and I hope that on that same plan the majority of the strong state institutions will soon follow.

The present condition of having 7,500 banks carry the burden for 27,000 is unfair both to the member banks and the best interests of the country. The strong non-member banks who, knowing the facts, do not remove this inequality will, in time, force the government to do its duty in adjusting the matter. But if Congress finally should be forced to swing "the big stick," they will be the ones to complain most loudly about the "nuisance and unfairness" of governmental compulsory regulation.

Under a highly developed system of branch banking, there are in England 259 joint stock banks, in Canada 21, in Germany about 350. We have about 30,000. It is obvious, therefore, that leadership and direction by government agencies is even more necessary with us than in Europe. We have adopted from Europe the principle of co-operative protection in banking and we ought to accept from them also the loyal spirit in which they co-operate with their leaders.

ANOTHER MEMBER ON THE COUNCIL

Splendid work has been done by the state vice-presidents, Executive Council members and secretaries of the state associations in an endeavor to increase the number of banks in the fold of the Association. It may be of interest to show how close some of the states are to reaching the required number of members in order that an additional Council member may be elected. The following is a list of nine states which are nearest the mark:

State	Number of Members Enrolled April 21, 1917	Additional Members Required
Arkansas	259	41
California	648	52
Colorado.	253	47
Michigan	481	19
Missouri	677	23
Montana	282	18
New York	1,046	54
Ohio	666	34
Virginia	269	31

It is gratifying to note that Iowa just recently increased its membership to 726, which will entitle that state to another representation on the Executive Council.

The following states which at present have a group representative can obtain an independent member on the Council providing a total membership of 100 is reached:

State	Number of Members Enrolled April 21, 1917	Additional Members Required
Arizona	84	16
New Hampshire	72	28
New Mexico	85	15
Utah	87	13
Vermont	78	22
Wyoming	99	1

The office of the Association and its Sections are constantly working in behalf of increasing the membership by the issuance of direct invitations to non-members. If the members of the Association, other than those referred to, will extend their co-operation in an endeavor to increase the membership, it will not be long before the American Bankers Association will have on its books practically every bank and trust company in the United States. At the present time more than one-half are enrolled. By consulting a bank directory a member can ascertain which are the non-members. It is through the co-operation of members that the desired increase will be achieved.

Vitalization of Country's Gold Resources a Problem for the Reserve System

Counting of Gold in Hands of Reserve Agents as Part of Reserve Held by Banks Against Notes Issued, Would Help Increase Issue Power—Mobilization of Gold in Circulation Another Desideratum

BY GEORGE LEWIS

AMONG the amendments to the Federal Reserve Act introduced at the last session of the Sixty-fourth Congress was one designed to make available for reserve purposes the 300 odd millions in gold held by the reserve agents. In the press of national emergencies at the close of the session this legislation failed of passage along with other amendments to the Reserve act. In substantially the same form they have been reintroduced, however, in the Senate by Senator Owen and are now being pressed for early passage.

While all the proposed measures have their place in the general scheme of smoothing out the workings of the reserve system, that relating to the gold with reserve agents deserves special mention in view of the importance of the financial problem in the present national emergency. There seems to have been an impression that the gold impounded in the vaults of the Federal reserve agents is "one of the buttresses of the system." It is not, except potentially; and while, when we speak of the gold in the Federal reserve system, we include by implication the amount with the reserve agents, such implication in regard to the working gold reserve could be justified only in the event that the present Congress enacts the legislation asked for, to put life into this potentiality.

A common mistake in regard to the Federal reserve agent and his gold lies in ascribing to him the duty of keeping 40 per cent. reserve against the outstanding issues of Federal reserve notes. If this were true, on the basis of say $346,000,000 Federal reserve notes in circulation and $349,000,000 in gold in the vaults of the reserve agents, of which only 40 per cent. need be held as reserve, a hypothetical balance of some $210,000,000 would be available for other purposes. But this is far from being the case.

Section sixteen of the Federal Reserve Act states plainly that the Federal reserve bank, and not the Federal reserve agent, is responsible for holding the 40 per cent. gold reserve; and such reserve is required to be carried only against such notes as are "not off-set by gold or lawful money deposited with the Federal reserve agent."

Paragraph six of section sixteen says that the reserve agent "shall hold such gold, gold certificates or lawful money available *exclusively* for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director"; in other words, it is held on a dollar for dollar basis. It must be remembered that the gold thus impounded in the reserve agents' vaults has been put there by the reserve banks in reduction of their liability on outstanding Federal reserve notes issued to them. At the present time the only way the reserve banks can secure Federal reserve notes is by depositing eligible commercial paper with the reserve agent, receiving in exchange 100 per cent. equivalent in Federal reserve notes. Now if a reserve bank in this way has taken out $1,000,000 in notes, it may, if it chooses, take $500,000 in gold to the reserve agent and receive back $500,000 of its paper, thus reducing its liability on the notes by that amount. The practical effect of this method has been to make reserve notes issuable against either gold or commercial paper, dollar for dollar, by means of an indirect process which proposed legislation seeks to make direct; that is, by legalizing the issue of notes directly against gold.

If the proposed amendment passes, the third paragraph of section sixteen will be amended by the elimination of the restricting clause, "and not off-set by gold or lawful money deposited with the Federal reserve agent" and the substitution therefor of the following: "Provided, however, that when the Federal reserve agent holds gold or gold certificates as collateral for Federal reserve notes issued to the bank such gold or gold certificates shall be counted as part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation."

A new paragraph in the amended section reads: "All Federal reserve notes and all gold, gold certificates and lawful money issued to or deposited with any Federal reserve agent under the provisions of the Federal Reserve Act shall hereafter be held for such agent, under such rules and regulations as the Federal Reserve Board may prescribe, in the joint custody of himself and the Federal reserve bank to which he is accredited. Such agent and such Federal reserve bank shall be jointly liable for the safe keeping of such Federal reserve notes, gold, gold certificates and lawful money," etc. Obviously the whole drift of the amending legislation is in the direction of correcting the status of the reserve agent from that of a personage apart, to a co-

ordinating factor in the credit machinery of the reserve banks. This is after all merely a recognition of the practical working and evolution of the system, which points to the ultimate elimination of the Federal reserve agent as an unnecessary cog.

However, no one will quarrel with the dictum that there cannot be too much gold available for the use of the Federal reserve banks, either in their own vaults or in the custody of the Federal reserve agent as part of their required reserve. In the crisis that followed the outbreak of the war in 1914, there was issued "emergency" circulation, under the Aldrich-Vreeland act, to the amount of $386,000,000. If a similar amount were required to be provided by the Federal reserve system, on a basis of 40 per cent. reserve there would be absorbed $154,000,000 in gold.

These are, however, not days of millions or hundreds of millions. The world today reckons its war requirements in billions. With financial operations being conducted on increasingly gigantic scales, the experience of the past serves only as a starting point and not as a measure. Mr. Warburg a few months ago expressed the opinion that "we ought to be able to lose $300,000,000 to $500,000,000"—presumably by export—"and still have $200,000,000 or $300,000,000 of free gold to serve as a basis for emergency operations." How near we stand at present to realizing this ideal may be judged from the holdings of gold in the reserve system. The reserve banks on April 5 had $565,102,000 and the reserve agents $378,450,000, a total of $943,552,000 gold in the system. The reserve banks' cash reserve against net deposit liabilities, after setting aside 40 per cent. gold reserve against their net liability on Federal reserve notes in circulation, was 74.6 per cent., whereas the legal requirement is only 35 per cent. That is to say, instead of holding $170,000,000 reserve against their deposits, the reserve banks have about $350,000,000. This difference of $180,000,000, then, represents free gold which if used as a basis for note circulation would serve as reserve for $475,000,000. This is not much more than the amount of emergency notes issued in 1914, and in the light of financial history who shall say that it is enough?

Now where is the $300,000,000 to $500,000,000 which we "ought to be able to lose," and still have enough gold left to serve as the basis of emergency operations? Obviously even the amount in the custody of the Federal reserve agents is not sufficient. The answer seems to lie in the theoretical store of some $750,000,000 or more in gold carried in tills, pockets, and in the vaults of banks scattered all over the country. All estimates of gold in circulation are necessarily inexact. State banks and trust companies are supposed to hold about $300,000,000. Now if the sum of say $500,000,000 in gold were withdrawn from circulation and replaced by an equal amount of Federal reserve notes it would not add a dollar to the circulating medium but it would strengthen the reserve banks immensely. Suppose such an exchange to take place and the reserve banks to be called upon subsequently for $300,000,000 in gold to be shipped to Europe; the process would be the rediscount by member banks of $300,000,000 in eligible paper and the shipping of gold out of the credit thus created, leaving the $500,000,000 of reserve notes in circulation and with $200,000,000 gold still in the reserve system. The liability against the $500,000,000 notes outstanding would be covered by this gold plus the $300,000,000 of rediscounts. Thus elasticity would have been achieved without so much as raising the spectre of inflation. The process, however, depends necessarily on the further mobilization of gold in the reserve system; how or when that will be brought about, no one would be hardy enough to predict. But it would undoubtedly be very much facilitated and hastened by the passage of the pending legislation.

EXECUTIVE COUNCIL AT BRIARCLIFF

As this issue of the JOURNAL-BULLETIN goes into the mails the Executive Council of the American Bankers Association will be holding its spring meeting at Briarcliff Lodge, Briarcliff Manor, N. Y. The general program has already been published. and from all indications the meeting will be one of the most important in the history of the association. About twenty sessions, including committee meetings, will be held in the course of the three days, May 7, 8 and 9. An important event will be a joint conference of the Committee on Federal Legislation and Federal Legislative Council with bankers interested in Federal legislation, to be held Monday, May 7, at 2 p. m. A full account of the proceedings of the Council will be published in the June JOURNAL.

The Golf Committee, appointed by the Administrative Committee to arrange for the usual matches before the opening of the regular sessions of the Council, consists of Thomas P. Beal, Jr., vice-president Second National Bank, Boston, *Chairman;* John McHugh, vice-president Mechanics & Metals National Bank, New York City, and Thomas B. McAdams, vice-president Merchants National Bank, Richmond.

THE MASTERY OF FAMINE

BY CHARLES FERGUSON

In 1913-14 Mr. Ferguson, under a commission from President Wilson, investigated the relation of business combinations to the governments of European countries. Among his books "The Great News" is an exposition of his views of industrial efficiency and a new politics. In this article he gives his view of the relation of the credit machinery to production. Upon the banking organization he would place not only the responsibility for ample production but to it he would give a corresponding reward. If the banking organization, as now constituted, fails in this respect through lack of appreciation of the opportunity and the obligation that rests upon it, then banking reorganization or a new and different banking organization, he says, is inevitable because the world is bound to have food and it is also bound to have the wealth that production alone brings. The suggestions and policies are democratic and they are decidedly interesting at a time when political economy is being rewritten in deeds and the world is apparently in revolt against the artificialities of business and of society.—EDITOR.

TO double or quadruple the food production of the United States it is merely necessary to change the method and direction of financial forces. As things stand every American community is equipped with a powerful social engine for the mobilizing of economic energies. This engine has never been worked to a quarter of its capacity. I refer, of course, to the most marvelous of modern motors—the internal combustion and triple-expansion engine of industrial credit.

The editor of the London *Statist* remarked the other day that the world at war is coming to an understanding of the fact that finance is nothing but the "organization of skills." The soundest finance is the finance that makes the most of the manifest or latent abilities of a community to produce goods.

Nobody who has given a moment's thought to the subject can suppose that any American community has ever done its best, or anywhere near its best, to master the physical difficulties of existence with the tools that are furnished by the present state of the arts. To say that we can do four times as much as we have done in the matter of food-supply, and in every other vital matter at the same time is a cautious understatement. The statement becomes still more conservative if the problem proposed is not to quadruple production in all branches at once; but to get more food by turning a greater proportion of our energy in that direction than in any other. And that is in fact the way the problem ought to be posed at this moment.

The whole subject is blurred and confused by a general failure to understand what the editor of the London *Statist* has at length come to understand. We go on treating finance as the Fuggers and the Frankfort Rothschilds treated it—as if it were an economy of precious metals. Or, if we have got beyond that conception, we are likely to stick fast in the notion that finance is little more than the organization of ownership and the manipulation of ownership certificates.

The truth is, I submit, that the bank power of any community is limited only by its productive power, that productive power is mainly a matter of quickened imagination, strengthened incentives and improvement in the correlation of personal forces, and that the technique of banking consists principally in maintaining a practicable proportion among the various kinds of enterprise. Productive power can rise to quite immeasurable heights if this proportion can be maintained, and if people can be aroused to go to work as they go to war.

Now it appears that the legitimate business of finance is to effect such an arousal. In sound theory and potential fact the modern credit system is an admirable social invention for getting out of every man the best he has to give. It is in effect a new kind of government—a government not by repression and enforced conformity to the settled ways. On the contrary, it is a government by appreciation and promotion. It operates by authoritative appraisement of the relative value of persons and projects—for the uses of the community. And its general aim is not to keep things fixed, but to keep things moving.

The effectual sanction of this new kind of government is not the fear that you may be shut up, but the fear that you may be shut out—that your credits may be withdrawn and that you may be severely let alone while the procession of power and honor passes by.

In order to increase the supply of food and of other necessary things in the United States, it seems that we must come to understand that organized ownership must—for the sake of its own securities—submit itself to the mastery of organized creative intelligence. The engineer and the master of life-sustaining forces must somehow get into the bank and must sit at the top of the board of directors. Organized ownership must cease to be the incompetent master of competent tool power. It must save itself from inflation and collapse by accepting its right place of security and protection as the cherished servant of the strength that builds cities and subdues the earth.

For my own part I am free to confess that I see no way to fend off famine for good and all in any community where the claims of capital—which, as the philosophers tell us, is yesterday's labor and enterprise—are allowed to lord it over the enterprise and labor of today and the vision of the future that is in the eye of the wise. I cannot understand how any banking policy that seeks to lay upon the general working plant of the community the heaviest overhead charge it can possibly sustain, can compete for long in any circle of commerce with the more modern policy that strives for low production costs and the scaling down of the charge that our yesterday lays upon our today and our tomorrow.

The field of banking and of great business is full of sagacious and public-minded men who, in this unexampled emergency, can hardly fail to perceive and act upon the truth that the production of food can be immensely stimulated by turning high voltages of credit power in that direction. Rural credits of the kind already supplied are certainly inadequate. And an occasional half million dollars, such as the fund created by the Chemical Bank in New York, amounts to little more than a certificate of good intentions. What is required is a new spirit and a new sense of proportion in the whole banking system.

It appears that the bottom reason why ambitious young men have given up farming and crowded into the cities is that the new kind of government of which I have spoken—government from credit centers—has heretofore withdrawn honor and social backing from the farming business and has concentrated in merchandising and manufacture all the power and prestige of modern high-tension civilization. We can meet our present emergency and can at the same time restore the strength and sobriety of our general social estate by making a quick revisal of the present state of affairs and giving the financial preference to agriculture. Surely such a thing can be done. Social changes of as great a magnitude have already taken place in France and Great Britain.

What we need is a renaissance ruralward, a turning of the whole people for moral and economic recuperation, and for the succoring of a half-starved world, to the subdual of elemental nature and the permanent conquest of primal necessity. There is, I think, no extant power that can negotiate such a change except the power of organized finance—or else, if you please, a power of revolution in the field of organized finance.

In every locality in the country search should be made for men who have something of the outdoor genius of Secretary Lane, Herbert C. Hoover, or the late James J. Hill, and these men should be put into executive places in the banks, commissioned there to seek and find more men—as many as possible—of their own sort, every one of whom should be offered the honor and power of financial credit, conditioned upon their finding in turn still other men of agricultural competency and the kind of creative imagination that makes things grow—a great multitude in all.

And every mother's son in this heirarchy of regeneration should be made to understand that he is given social credit not to make food dear and farmers cheap but on the contrary to make farmers dear and food cheap—that he belongs to a financial conspiracy in acceleration of trade—a conspiracy for the advance of the science of vital things and the increase of the purchasing power of a day's work.

In this manner we shall save and establish democracy. I venture to say that democracy cannot be saved and established by the conscription of farm labor or by putting the whole agricultural business of the country into the hands of Mr. Houston.

It will be discovered—to the surprise of some—that the stronghold of democracy is in a modernized and scientific finance. For democracy after all may turn out to be nothing other than this government by sound social and scientific appraisement of values, and by appreciation and promotion of the man that delivers the real goods.

GUARANTY OF BANK DEPOSITS BILL IN CONGRESS

A bill whose purpose is "to indemnify depositors in 'member banks,' as defined by the Federal Reserve Act, against loss in the event of the failure or suspension of business of such bank," was introduced in the Senate by Mr. Owen on April 4. The bill creates a depositors' indemnity fund and places it under the control and supervision of the Federal Reserve Board. It provides that the fund shall consist of the proceeds of a tax on national bank circulation beginning with January 1, 1914, "until the same accumulates to the extent of 1 per cent. of the deposits of the member banks" of the reserve system "and thereafter if necessary to replenish the fund so that such fund shall at all times be not less in amount than 1 per cent of the average annual deposits of all the member banks . . . in the United States for the preceding calendar year."

REPORT OF THE COMMITTEE OF TWENTY-FIVE ON THE CLEARING AND COLLECTION PROBLEM

BY JEROME THRALLS, Secretary

The Committee of Twenty-five has determined to continue its efforts to secure relief through an amendment to the Federal Reserve Act. The Banking and Currency Committee of the Senate have reported favorably on S. 1796, a bill covering various amendments to the Federal Reserve Act including an amendment to section thirteen, designed to give the Federal reserve banks authority to take deposits from non-member banks and trust companies upon such terms as may be fixed by the Federal Reserve Board. The ultimate purpose of this amendment is to extend the collection system to include all banks and trust companies.

If this privilege is availed of to any considerable degree it will bring the Federal reserve banks into keen competition with member banks in the larger cities and may attract a large volume of checks and drafts into the system to be handled under the provisions of section sixteen, thereby increasing the burdens upon the small banks.

Senator Hardwick of Georgia has introduced a further amendment to section thirteen, known as S. 1796 which is on the table to be called up when S. 1796 proper is taken up for consideration by the Senate. The Hardwick amendment reads as follows:

> Provided further, That nothing in this or any other section of this Act shall be construed as prohibiting a member or non-member bank from making reasonable charges, in no case to exceed ten cents per $100, or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise.

Senator Gronna proposed a similar amendment in the Senate Committee.

Senator Owen, Chairman of the Banking and Currency Committee, in his report stated in part:

> Your Committee transmitted Senator Gronna's letter to the Federal Reserve Board requesting a report. The report is hereto attached, together with a report of the action of the board of governors of the twelve Federal reserve banks, showing it is the universal opinion of the experts employed by the government that the present system of clearing through the reserve banks should not be changed.

It will be noted that the Senator refers to the governors of the Federal reserve banks, as the "experts employed by the government."

Under the provisions of the law and the by-laws of the institutions incorporated and known as Federal reserve banks, the governors are elected by the boards of directors of the respective Federal reserve banks, are paid by the Federal reserve banks, and are presumed to look after the interests of the banks that have subscribed for the stock of the Federal reserve banks and whose reserves they hold.

It will be recalled that Governor Harding, of the Federal Reserve Board, in an address before the convention of the American Bankers Association at Kansas City, stated in part:

> Section sixteen shrinks into insignificance as compared with the underlying principles of the Federal Reserve Act. The language of the section is somewhat involved. No member of the Federal Reserve Board has any desire to antagonize the legitimate banking interests of this country. I see no reason why this whole problem should not be solved to the satisfaction of all concerned.

Governor Harding later stated, in stubstance, before the Banking and Currency Committee of the House, that provision for compensation to banks for the expense and service involved in covering by remittance or otherwise checks and drafts presented through the Federal reserve banks would not interfere with the mechanical operations of the Board's plan for collecting such items. He further stated so far as concerns legislation that the Federal Reserve Board would be neutral. In the face of these facts the following letter will be of interest:

FEDERAL RESERVE BOARD,
Office of the Governor,
Washington, April 13, 1917.

HON. ROBERT L. OWEN,
United States Senate, Washington, D. C.

MY DEAR SENATOR OWEN:

I have your letter of the twelfth instant in reference to the amendment to Senate bill No. 8, proposed by Senator Gronna, and brought it to the attention of the Board at the meeting this morning.

After a full discussion of the matter the Board directed me to say to you that it would regard the adoption of the amendment as most unfortunate. It believes firmly that it is the duty of every bank to pay without deduction or discount, at its own counter, checks drawn by its depositors against their balances.

1.—No bank questions this obligation on its part when cash payments are demanded by the presenter of the check, and about one-half of all banking institutions in the country are now remitting without deduction, for checks on themselves forwarded by the Federal reserve banks.

2.—The Board realizes that the operation of the Federal reserve check clearing system has in a number of cases deprived banks of an income from exchange on checks which they have hitherto enjoyed, but

3.—As they are enabled to offset checks drawn upon themselves, sent them by the Federal reserve banks, with checks drawn upon other banks and are permitted, furthermore,

4.—To cover by shipments of currency at the expense of the Federal reserve bank, no actual hardship is imposed.

An amendment permitting a charge of not exceeding ten cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time for collection and payment of checks and remission therefor, by exchange or otherwise, would, in the opinion of the Board,

(a) be construed by the banks as a definite suggestion that they impose such a charge, with the result that eventually these charges would be generally made,

(b) not only as against checks coming in from a distance, but even against checks presented by payees residing in the community where the bank is located. While banks would no doubt pay checks for their own depositors without any charge, it is entirely possible that many of them would avail themselves of the opportunity of enforcing this charge against checks presented by payees who are not depositors.

(c) THIS WOULD IMPOSE A HARDSHIP UPON THOSE OF THE POOR CLASSES WHO ARE NOT BANK DEPOSITORS.

The Board would call attention also to the fact that for some years past actual payees of checks drawn upon country banks have been able in many cases to collect them without exchange charges, which have been absorbed by their depository banks, which have in turn been reimbursed by balances kept with them by the country banks. Immediately upon the passage of Senate bill No. 8 (now S. 1796), or no later in any event than November 17 next, no bank balances will count as reserve except those with the Federal reserve banks, so that facilities for free collection will no longer be afforded by member banks, and the result would be that many individuals, firms and corporations would be paying exchange charges of one-tenth of 1 per cent. upon checks which they have hitherto been able to collect at par.

The enactment of the proposed amendment, in the opinion of the Board, would, because of the injury it would work to holders of bank checks, create a strong protest all over the country, which would be far stronger than the pressure that is now being brought to bear for its enactment.

In this connection I inclose for your information copy of a resolution that was adopted at a meeting of the governors of Federal reserve banks which was held here last week.

Very truly yours,
W. P. G. HARDING, Governor.

(Resolution Passed at Tenth Conference of Federal Reserve Bank Governors.)

KITCHIN BILL.

Whereas, It is stated that there is to be re-introduced in the present Congress for enactment the so-called Kitchein bill, the purpose of which is to so amend the Federal Reserve Act as to permit national banks to impose exchange charges contrary to the basic principles of the Federal reserve collection system; and

Whereas, It is understood that under the direction of a committee of the American Bankers Association, known as the Committee of Twenty-five, a vigorous and far-reaching campaign is being conducted to bring influence upon the Congress to secure the enactment of the Kitchin bill; and

Whereas, It is the belief of the governors of the several Federal reserve banks that should the Kitchin bill become law it would not only serve to nullify the great benefits which would accrue to the business interests of the country under the operation of a scientific, direct, and efficient collection system, but its enactment would seriously affect and seriously injure the best and broadest development of the Federal reserve system: Therefore, be it

Resolved, That the governors in conference earnestly urge the Federal Reserve Board to use every legitimate means possible to prevent the enactment of the Kitchin bill when introduced into Congress, and to promptly develop and put into the fullest operation the Federal reserve collection system.

Referring to statement No. 1, no bank in actual practice is called upon to pay all checks over its counter in lawful money. The deposits are made up of 90 per cent. or more of checks and like credits. Should all demands be that payments be made in lawful money only, the banks could not meet such demands. To base a collection system upon the premise that banks are required to pay all checks in lawful money is not within reason. Further, customers who send their checks to distant points do not want the cash paid over the counter. If the cash were paid over the counter they would need find some agency to transport it to the distant points. There is no agency that will perform that service free. What the customers want is to have their indebtedness at the distant points liquidated. In doing this the banks perform a service of real value, in which they incur risk, labor and expense, and which displaces the service usually performed through the sale of exchange. The purchase and sale of exchange is a legitimate function of banking, and when a bank's resources are used indirectly for the performance of that function, the bank should be compensated therefor. The Federal reserve banks may assist in reducing the cost of exchange, but they cannot eliminate time and distance, and so long as those factors remain, there will be considerable expense attached to creating balances through which to liquidate checks that go to points distant from the points where the makers thereof reside.

While 76.6 per cent. of the banks of America are opposed to the present Federal reserve collection plan, these same banks are unanimous in their desire to co-operate in evolving and developing a plan which will render to the public efficient and satisfactory service along the most economical lines. Banks do not object to exchange being regulated, but they do object to being deprived of the right that is guaranteed to every citizen of the United States, that is the right to demand and receive pay for the services which they render.

The statement that about one-half of all the banking institutions in the country are now remitting without deduction, is not in accord with the

reports made by the banks themselves. The names of slightly more than 8,000 non-member banks appear upon the par lists of the Federal reserve banks. Statements have been made by officials of the Federal reserve system and others interested in the development of the present collection plan, that the plan is a success, as is clearly proved, because more than 8,000 non-member banks are in it of their own volition, and are happy and pleased with its operations. A letter addressed to five banks in each state whose names appear upon the par lists of the Federal reserve banks, brought immediate response from 156 institutions, every state being represented save one. Eighty-one of these institutions report that they had no option whatever in the matter, their items are being sent to them in an indirect way, that is, through member banks, express companies, or other agencies; seventy-five of the 156 banks report that their items are coming direct to them from the Federal reserve banks. Of the seventy-five, thirty-six claim to have been forced to make the arrangements through coercion or fear that their items would be sent through the express company for collection. Seventeen report that they remitted at par prior to the inauguration of the Federal reserve collection system, and that the plan has therefore had no effect upon their arrangements. In the final analysis, but twenty-two out of 156 banks have entered the system because of its merits, of their own volition, and are happy because of its operations.

Referring to Suggestion No. 2.—It is admitted by the Board that the small banks are deprived of income hitherto enjoyed from the source of exchange charged for a legitimate service.

Referring to Suggestion No. 3.—Banks have always been able to off-set checks through their arrangements with their correspondents in a manner equally as satisfactory, in fact more satisfactory than that now afforded by the Federal reserve banks.

Referring to Suggestion No. 4.—That banks may cover by shipments of currency at the expense of the Federal reserve banks, and that no actual hardship is imposed. The regulation of the Federal Reserve Board referring to currency shipments, stipulates that the member banks must first use all available items, that is checks and drafts, before they are permitted to ship currency at the expense of the Federal reserve banks, and the banks must ship either lawful money or Federal reserve notes. National bank notes under this arrangement are excluded from use in paying checks. Such notes have always been used for that purpose, and it is to be regretted that the Federal Reserve Board has made discrimination against national bank notes in favor of checks. Some of the Federal reserve banks are resorting to the worst means of coercion ever attempted in banking, that is, the use of the express companies to collect checks and drafts on banks that are not willing to remit at par as demanded by the Federal reserve banks, without regard to the expense and labor that might be involved in making such remittances. It is not unusual for a country bank carrying in its vaults actual cash, including lawful money and Federal reserve notes not to exceed $6,000, to receive for payment by remittance through the mail in a single day, checks aggregating $10,000. It is customary to pay these checks by draft upon a balance in some central city, created there through direct credit arrangements, discounting of bills, shifting of credit, or the accumulation of available exchange, all of which is done at an expense to the small bank. It will be seen that the power of this club is because of the injuries and dangers that are possible to the small banks against which it is being wielded. It may not be designed to injure these small institutions, but has in it the possibilities of even causing some of them to close their doors. Where is there a bank that can receive deposits day in and day out, 90 per cent. of which are made up of checks and like credits, and at the same time pay all demands in lawful money? It cannot be done.

The Federal reserve banks hold that in presenting checks through the express company, they are admitting that checks are payable at the counters of the banks upon which drawn. The customers who draw checks and send them to distant points, do not want the funds paid over the counter, they want their indebtedness liquidated at these distant points. Whether this is done through the Federal reserve banks, through an express company, or through some other agency, it entails labor, risk and expense and calls into the service the resources of the paying bank in a way that is entirely different from that attending the liquidation of checks which do not go to distant points, and 90 per cent. of which are re-deposited in the local banks. It may not be a hardship to surrender substantial earnings realized from legitimate service rendered. It may not be a hardship to be forced to surrender the right of compensation because of banks facing a demand made through the express company for payment of checks in lawful money, to the extent greater than the holdings of such money in the vaults of the bank upon which the demand is made, but the banks themselves regard these things in the light of an imposition, or hardship that is unwarranted and not essential to the development of the important purposes contemplated by the Federal Reserve Act.

Referring to Suggestion "A."—The banks had the unrestrained right, prior to the inauguration of the present collection plan, to charge whatever rates of exchange they saw fit. Under these conditions only 15 per cent. of the banks charged more than one-tenth of 1 per cent. Seventeen per cent. of the

banks remitted on a par basis. Competition, supply and demand have been the chief factors in controlling exchange, the same as they have in controlling other phases of the banking business. Competition will be equally as keen in the future as it has been in the past. During the year prior to the inauguration of the Federal reserve collection plan, 723,700,000 so-called country checks, aggregating more than thirty billion dollars, were handled by the banks of America. The average rate of exchange charged thereon was sixty-six and two-third cents per thousand, or an annual amount of twenty million dollars. It is true that some banks made exorbitant charges, but the passage of the amendment proposed by Senator Hardwick will eliminate the exorbitant charges, exchange will fluctuate from par to ten cents and will be regulated as it should be, by the flow of business to and from the different sections of the country, by competition, and the other natural elements.

Referring to Suggestion "B."—Banks have never made it a practice to charge their local customers on local checks that are presented for deposit or payment. Competition would not permit them to do so, were it their desire. Furthermore, careful reading of the proposed amendment will clearly show that the charge provided for is designed to apply only to checks and drafts that have gone to distant points, and are returned through a Federal reserve bank or one of its agencies for collection or payment, and remission therefor.

Referring to Suggestion "C," that this law would impose a hardship upon those of the poorer class who are not bank depositors. With an unrestrained legal right and with an open field, the poorer classes who are not bank depositors found no reason for making a complaint because of any such abuses. It was the big jobbers, manufacturers, wholesalers and mail-order houses and the like, in the larger cities, that registered complaint because of exchange charges and who are profiting now because of the present system, which imposes heavy burdens upon the country banks. The seller of goods has the right to demand payment from the buyer in actual cash or exchange, that is worth 100 cents on the dollar at the point of sale, but if that merchant surrenders that right and accepts a check on the local bank in the home town of the buyer, it takes with that check, the burdens of its liquidation. No law, rule, or regulation should permit or require that this burden should be shouldered on to a third party, either the city or country bank. The buyer and seller are the beneficiaries, and one or the other should bear the expense. As to which should bear it, is a matter they should settle between themselves in the same manner as they settle the proposition as to who shall pay the freight. More than 96 per cent. of the business of this entire country has been transacted through the means of checks and drafts under a system where compensation was allowed to the banks. This shows clearly the exchange charge has not hampered to any material degree, the use of the check.

This letter of the Federal Reserve Board entirely overlooks the principles involved, that is, that the purchase and sale of exchange is a legitimate function of banking; that time and distance cannot be eliminated, and that the banker like any other citizen is worthy of his hire.

The resolution adopted by the governors of the Federal reserve banks shows that they have not kept in touch with the situation, insomuch as the bill proposed by the Committee of Twenty-five is not the same as the Kitchin bill, and the members of the Committee of Twenty-five itself would be opposed to the passage of the Kitchin bill as originally introduced.

The American Bankers Association has declared itself in favor of an amendment to the Federal Reserve Act which will relieve the banks from the burdens imposed by the operations of the collection system, and has charged the Committee of Twenty-five with the responsibility of working out a clearing and collection plan that will be equitable and fair to the banks and to the public. Friendly co-operation is the greatest agency for good in the banking world. Legislation should be based entirely upon merit. The public may be depended upon to do what is fair and right when properly informed. The same is true of our law makers. It is therefore the duty of every banker to see that the public and the law makers are properly informed upon the clearing and collection problem.

The passage of the proposed amendment would be an act of patriotism at this time because it would sweep aside the antagonism and opposition that has developed because of the coercive methods that have attended the efforts to force the development of the collection system. It would substitute for opposition and antagonism, friendly co-operation, and would open the way to the entrance of hundreds of state banks and trust companies into the Federal reserve system.

Changed Position of the United States in International Trade and Finance

BY EDWARD EWING PRATT

Chief of Bureau of Foreign and Domestic Commerce, Department of Commerce*

THE position of the United States in commerce, trade and international finance has essentially changed since the outbreak of the European war. We must see what this change is, and how it affects our present and future interests.

We are all familiar with the movements in exchange, the closing of the great financial institutions of the world, the declarations of moratoria, the cessation of our trade and industry. We are also aware of the recovery that has taken place, and of the general effects with reference to the era of prosperity through which we have been passing and are still passing. There are, however, some interesting effects that are even now running their course, but are not so apparent.

For years the United States has enjoyed what many people thought was a favorable balance of trade. At any rate, the exports of the United States have for years exceeded the imports. Even when we add the movements of gold and silver to and from the United States, we have still enjoyed an apparent advantage.

TOTAL IMPORTS AND EXPORTS OF MERCHANDISE AND EXCESS OF EXPORTS DURING EACH CALENDAR YEAR FROM 1900 TO 1916.

Cal. Yr.	Imports	Exports	Excess of Exports
1900	829,149,714	1,477,946,113	648,796,399
1901	880,419,910	1,465,375,860	584,955,950
1902	969,316,870	1,360,685,933	391,369,063
1903	995,494,327	1,484,753,083	489,258,756
1904	1,035,909,190	1,451,318,740	415,409,550
1905	1,179,144,550	1,626,990,795	447,846,245
1906	1,320,501,572	1,798,243,434	477,741,862
1907	1,423,169,820	1,923,426,205	500,256,385
1908	1,116,374,087	1,752,835,447	636,461,360
1909	1,475,520,724	1,728,198,645	252,677,921
1910	1,562,904,151	1,866,258,904	303,354,753
1911	1,532,359,160	2,092,526,746	560,167,586
1912	1,818,073,055	2,399,217,993	581,144,938
1913	1,792,596,480	2,484,018,292	691,421,812
1914	1,789,276,001	2,113,624,050	324,348,049
1915	1,778,596,695	3,554,670,847	1,776,074,152
1916	2,391,654,335	5,481,423,589	3,089,769,254

I emphasize the word "apparent" because this is only the visible balance of trade and in our case there are invisible factors of even greater importance.

(a) The first and most important factor in this invisible balance is the payments due to European capital on investments made in the United States. Federal, state and municipal bonds were first sold abroad in the first quarter of the nineteenth century. But beginning in 1836, when Baring Brothers purchased a large block of B. & O. bonds, European and especially English capital has flowed steadily into the United States.

At the beginning of the European war, the total amount of foreign capital invested in the United States was probably not far from $7,500,000,000, distributed among the great nations of the world as follows:

England	$4,000,000,000
France	1,000,000,000
Germany	1,250,000,000
Holland	650,000,000

These investments are relatively fixed. In addition there was a large floating debt composed of produce bills, finance bills, loans against securities, overdrafts, etc., amounting in all to not less than $500,000,000. The annual interest charge on this large body of foreign investments approximates $350,000,000. We may deduct, however, the interest on American investments abroad, which probably amount to $1,500,000,000 and yield an income of $75,000,000. This left us a net interest charge which we had to pay to Europe of something between $275,000,000 and $300,000,000.

It is a very great error, however, for us to figure this as a total loss. It is only necessary for us to consider that our railways, our mines, and many of our manufactures have been developed with this capital, to appreciate its utility—yes, its absolute indispensability to our prosperity. We had to pay the interest, but ours is the gain in internal development. Value has been added to our land, our resources have been made accessible, and the production of wealth has been increased many fold.

(b) A very large item in our invisible balance abroad was that of expenditures of American tourists abroad. This was an increasingly important item, and in 1914 (fiscal year ending June 30) probably not fewer than 286,000 Americans traveled abroad, whose expenditures were approximately $286,000,000.

(c) Another item in the invisible exports of the United States is that of remittances to friends—an item largely dependent on our large foreign population. The total foreign-born population of the United States is about 15,000,000, and it has been estimated that these foreigners send home as much

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FOREIGN TRADE OF THE UNITED STATES DURING THE FISCAL YEARS ENDING JUNE 30, 1915 AND 1916.

	Twelve months July 1, 1914 to June 30, 1915		Twelve months July 1, 1915 to June 30, 1916	
Merchandise.				
Exports	$2,768,000,000		$4,334,000,000	
Imports	1,674,000,000		2,198,000,000	
Excess of exports over imports		$1,094,000,000		$2,136,000,000
Gold.				
Exports	$146,000,000		$ 90,000,000	
Imports	171,000,000		494,000,000	
Excess of imports over exports		$25,000,000		$404,000,000
Silver.				
Exports	$51,000,000		$60,000,000	
Imports	29,000,000		34,000,000	
Excess of exports over imports		$22,000,000		$26,000,000
Net excess of exports		$1,091,000,000		$1,758,000,000
Remittances.				
Interest (net)	$220,000,000		$70,000,000	
Tourist expenditures	50,000,000		50,000,000	
Remittances to friends and relief	100,000,000		100,000,000	
Freight	30,000,000		50,000,000	
Total		$400,000,000		$270,000,000
Excess of trade balance over remittances		$691,000,000		$1,488,000,000

as $250,000,000 each year. This amount is probably too high, but I would place the amount at least at $150,000,000. This was a very large sum and was to be reckoned with in determining our real trade balance.

(d) The fourth important factor in the invisible balance of trade is the tribute that we must pay to other nations because we lack an adequate merchant marine. We probably paid to European nations not less than $25,000,000 annually for bringing the bulk of our imports to the United States.

Our balance of trade, both visible and invisible, during the last normal fiscal year before the outbreak of the war, would probably be something as follows:

FOREIGN TRADE OF THE UNITED STATES DURING THE FISCAL YEAR 1914.

Merchandise.		
Exports	$2,365,000,000	
Imports	1,894,000,000	
Excess of exports over imports		$470,000,000
Gold.		
Exports	$112,000,000	
Imports	67,000,000	
Excess of gold exports over imports		$45,000,000
Silver.		
Exports	$55,000,000	
Imports	30,000,000	
Excess of silver exports over imports		$25,000,000
Total excess		$540,000,000
Remittances.		
Interest (net)	$250,000,000	
Tourist expenditures (net)	170,000,000	
Remittances to friends (net)	150,000,000	
Freight	25,000,000	
Total		$595,000,000
Excess of sum remitted over trade balance		$55,000,000

Since that time an absolute and complete change has taken place. This change can best be demonstrated by presenting another balance sheet that will show the balance of our trade during the last two fiscal years, and that will take account of the reduced remittances which we have made during the past year to European nations; and, finally, let me present a balance sheet showing the foreign trade of the United States during the last six months of the year 1916.

FOREIGN TRADE OF THE UNITED STATES DURING THE SIX MONTHS ENDING DECEMBER 31, 1916.

	July 1 to December 31, 1916.	
Merchandise.		
Exports	$3,001,000,000	
Imports	1,107,000,000	
Excess of exports over imports		$1,894,000,000
Gold.		
Exports	$ 89,000,000	
Imports	499,000,000	
Excess of imports over exports		$410,000,000

FOREIGN TRADE OF THE UNITED STATES DURING THE SIX MONTHS ENDING DECEMBER 31, 1916.

		July 1 to December 31, 1916.
Silver.		
Exports	$ 40,000,000	
Imports	17,000,000	
Excess of exports over imports		$23,000,000
Net excess of exports		$1,507,000,000
Remittances.		
Interest (net)	$ 12,000,000	
Tourist expenditures	25,000,000	
Remittances to friends and relief	50,000,000	
Freight	25,000,000	
Total		$112,000,000
Excess of Trade Balance over Remittances		$1,395,000,000

For years we have been known as a debtor nation. The term is a correct one and expresses our situation prior to the European war. The term means simply, however, that we have borrowed money for internal development, and we were a debtor nation in the same sense that a manufacturing plant is a debtor corporation because an issue of bonds has been placed upon its plant and equipment. In other words, it has been doing business to a certain extent on borrowed capital. Since the beginning of the European war, when our foreign indebtedness totalled over $7,000,000,000, and when our net indebtedness was probably over $6,000,000,000, we have been taking back our securities that had been held in Europe. As nearly as it is possible to estimate the total amount of our securities returned from abroad, I would place the sum at not far from $3,000,000,000. In addition to these loans that we have repaid (for that is the essential financial operation when we buy back our own securities), we have also made loans in large amounts to foreign countries. The total amount of capital that we have loaned to European nations since the declaration of war in Europe has amounted to $2,200,000,000. We have, therefore, paid off our foreign indebtedness to the extent of about $6,200,000,000. We are at present, therefore, still indebted to Europe to the extent of $800,000,000. This debt will be entirely paid off and, in fact, Europe will be in our debt before July 1, 1917, if our export and import trade, the taking back of our securities, and our making of foreign loans continue at the same rate during the next five months.

LIST OF FOREIGN LOANS AND CREDITS PLACED IN THE UNITED STATES DURING 1915 AND 1916.

Great Britain:	
Anglo-French 5 per cent. collateral loan	$ 250,000,000
Two-year 5 per cent. collateral	250,000,000
Three five-year 5½ per cent. collateral	300,000,000
Banking credit 5 per cent. (renewed in June, 1916)	50,000,000
Metropolitan Water Loan	6,400,000
City of Dublin	2,000,000
Wheat purchase credit	25,000,000
France:	
Anglo-French 5 per cent. collateral loan	250,000,000
Collateral loan 6 per cent.	100,000,000
Notes 5 per cent.	40,000,000
Commercial credits	100,000,000
City of Paris 6 per cent. loan	50,000,000
Bankers collateral loan	30,000,000
Acceptance credits	175,000,000
Germany:	
Notes 5 per cent. and War Bonds	35,000,000
Greece:	
Bank credits	7,000,000
Italy:	
One-year notes 6 per cent. extended in 1916	25,000,000
Norway:	
Notes 6 per cent.	8,000,000
Sweden:	
Notes 6 per cent.	5,000,000
Switzerland:	
Notes 5 per cent.	15,000,000
Russia:	
Acceptance credit	25,000,000
Three-year loan 6½ per cent. bonds	50,000,000
One-year Treasury notes 5 per cent. (renewed in 1916)	11,000,000
Five-year 5½ per cent. bonds	25,000,000
Newfoundland:	
Three-year 5 per cent. bonds	5,000,000
Canada:	
Dominion Government	120,000,000
Provincial and Municipal	115,000,000
Argentina:	
Notes 6 per cent.	65,000,000
Treasury bonds 6 per cent.	25,000,000
Bolivia:	
Bank loan	1,000,000
Chile:	
Bank loan	6,000,000
Uruguay:	
Ulen contract	5,000,000
One-year notes	2,500,000
Colombia:	
Bogota City	5,000,000
Brazil:	
Sao Paulo 6 per cent.	5,500,000
Valparaiso water loan	471,000
Antofagasta railway notes	3,000,000
Yucatan:	
Sisal hemp loan	10,000,000
Panama:	
Bonds	3,000,000
China:	
Canal loan	4,000,000
Government loan 6 per cent.	5,000,000
Total	$2,214,871,000

Mobilization of Agricultural Resources Receives Country-Wide Support

THE movement for the mobilization of the agricultural power of the country has taken two well-defined directions. One is the encouragement and stimulation of the farmers to increased efforts, aided by government, the railroads and organized capital; the other is the attempt to create a supplementary agricultural resource by enlisting city workers and their gardens and back yards in a great volunteer army for the production of whatever their more restricted plots will bring forth.

Each of these phases has its place in the national emergency. So far as the first one is concerned, the bankers of the country have risen to the occasion and through organized effort and as individuals they are doing their bit. Here is a typical advertisement used by a country bank:

LOANS FOR FARMERS!

This bank is prepared to advance the entire cost price of labor-saving machinery purchased in time to increase this year's crops; also the cost of thoroughbred sires. It is suggested that several farmers living in the same neighborhood may advantageously co-operate in these purchases, as one item of each description should be sufficient for the needs of several farms—thus economizing investment and room.

State bankers' associations have been sending out circulars galore to their members, outlining plans for co-operation between the bankers and the farmers, "their interests being identical," as one association phrases it. The spirit in which these communications are written may be gleaned from the following paragraph which concludes a two-page circular filled with concrete suggestions:

"Your committee merely indicates these as a few ways in which the banker can co-operate with the farmer. This general letter will be followed by others containing more definite recommendations, and it is urged upon every banker in the state, whether national, state, trust company or private banker to realize the responsibility resting upon him to co-operate in the work and to that end the committee invites correspondence, and bankers who have any suggestions to offer in regard to this work, and suggestions are wanted, will please correspond with the chairman."

The matter of making city farmers and using the idle lands within American municipalities, however, is something which, starting as a school and home gardening movement many years ago, has been brought to a head by the present food crisis. So seriously is the matter regarded that a number of educators and philanthropists have organized in Washington the National Emergency Food Garden Commission devoted to the purpose of putting a million men, women, and children on city and town gardens this spring, to raise vegetables for their families.

Charles Lathrop Pack, president of the American Forestry Association, is the originator of the movement and the head of it. With him are associated among others Dr. Charles W. Eliot, of Cambridge, Mass.; John Grier Hibben, president of Princeton University; Carl Vrooman, Assistant Secretary of Agriculture; Capt. J. B. White, member of the United States Shipping Board; Albert W. Shaw, editor of System Magazine; Emerson MacMillin, of New York; John Hays Hammond, of Massachusetts; Fairfax Harrison, of Virginia; Luther Burbank, of California, and Hon. James Wilson, former Secretary of Agriculture.

The Commission is affiliated with the Conservation Department of the American Forestry Association. Percival S. Ridsdale, secretary of the Forstry Association, is directing the work of the National Emergency Food Garden Commission.

In Washington there are various official agencies seeking to stimulate the cultivation of home gardens this year with the view of relieving some of the demand for rural produce. The Department of Agriculture is making the movement its chief spring endeavor, while the Bureau of Education is urging cultivation of gardens by school children.

The National Emergency Food Garden Commission at once found its place in this work. It takes the scientific lore of the official departments and retails it in simple, practical form to the prospective home gardeners through the medium of the daily press, which is eagerly co-operating to make the campaign a success. The official bureaus, too, warmly welcomed the newcomer, realizing their own limitations in the matter of practical publicity.

The plan adopted by the Commission is first to create garden volunteers by making the dwellers in cities and towns realize the danger in the food situation this year, and then to give these volunteers daily instruction in gardening from the sprouting of seeds in hot beds to the harvesting of the ripe crops.

The ambition of the Commission to create 1,000,000 new gardeners is conservative. The Bureau of Education estimates that there are 6,000,000 school children capable of cultivating garden yards, while within our cities and towns there is probably an equal number of adults with leisure for such work.

THE WAR BOND BILL

TEXT OF THE SEVEN BILLION DOLLAR LOAN BILL
as Approved April 24

An Act to authorize an issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend credit to foreign governments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury, with the approval of the President, is hereby authorized to borrow, from time to time, on the credit of the United States for the purposes of this Act, and to meet expenditures authorized for the national security and defense and other public purposes authorized by law not exceeding in the aggregate $5,000,000,000, exclusive of the sums authorized by Sec. 4 of this Act, and to issue therefor bonds of the United States.

The bonds herein authorized shall be in such form and subject to such terms and conditions of issue, conversion, redemption, maturities, payment, and rate and time of payment of interest, not exceeding 3½ per cent. per annum, as the Secretary of the Treasury may prescribe. The principal and interest thereof shall be payable in United States gold coin of the present standard of value and shall be exempt, both as to principal and interest, from all taxation, except estate or inheritance taxes, imposed by authority of the United States, or its possessions, or by any state or local taxing authority; but such bonds shall not bear the circulation privilege.

The bonds herein authorized shall first be offered at not less than par as a popular loan, under such regulations prescribed by the Secretary of the Treasury as will give all citizens of the United States an equal opportunity to participate therein; and any portion of the bonds so offered and not subscribed for may be otherwise disposed of at not less than par by the Secretary of the Treasury; but no commissions shall be allowed or paid on any bonds issued under authority of this Act.

Sec. 2. That for the purpose of more effectually providing for the national security and defense and prosecuting the war by establishing credits in the United States for foreign governments, the Secretary of the Treasury, with the approval of the President, is hereby authorized, on behalf of the United States, to purchase, at par, from such foreign governments then engaged in war with the enemies of the United States, their obligations hereafter issued, bearing the same rate of interest and containing in their essentials the same terms and conditions as those of the United States issued under authority of this Act; to enter into such arrangements as may be necessary or desirable for establishing such credits and for purchasing such obligations of foreign governments and for the subsequent payment thereof before maturity, but such arrangements shall provide that if any of the bonds of the United States issued and used for the purchase of such foreign obligations shall thereafter be converted into other bonds of the United States bearing a higher rate of interest than 3½ per cent. per annum under the provisions of Sec. 5 of this Act, then and in that event the obligations of such foreign governments held by the United States shall be, by such foreign governments, converted in like manner and extent into obligations bearing the same rate of interest as the bonds of the United States issued under the provisions of Sec. 5 of this Act. For the purposes of this section there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $3,000,000,000, or so much thereof as may be necessary: *Provided,* That the authority granted by this section to the Secretary of the Treasury to purchase bonds from foreign governments, as aforesaid, shall cease upon the termination of the war between the United States and the Imperial German Government.

Sec. 3. That the Secretary of the Treasury, under such terms and conditions as he may prescribe, is hereby authorized to receive on or before maturity payment for any obligations of such foreign governments purchased on behalf of the United States and to sell at not less than the purchase price any of such obligations and to apply the proceeds thereof, and any payments made by foreign governments on account of their said obligations to the redemption or purchase at not more than par and accrued interest of any bonds of the United States issued under authority of this Act; and if such bonds are not available for this purpose the Secretary of the Treasury shall redeem or purchase any other outstanding interest-bearing obligations of the United States which may at such time be subject to call or which may be purchased at not more than par and accrued interest.

Sec. 4. That the Secretary of the Treasury, in his discretion, is hereby authorized to issue the bonds not already issued heretofore authorized by Sec. 39 of the Act approved August 5, 1909, entitled "An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes"; Sec. 124 of the Act approved June 3, 1916, entitled "An Act for making further and more effectual provision for the national defense, and for other purposes"; Sec. 13 of the Act of September 7, 1916, entitled "An Act to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and a naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries, to regulate carriers by water engaged in the foreign and interstate commerce of the United States, and for other purposes"; Sec. 400 of the Act approved March 3, 1917, entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortications, and for other purposes"; and the public resolution approved March 4, 1917, entitled "Joint resolution to expedite the delivery of materials, equipment, and munitions and to secure more expeditious construction of ships," in the manner and under the terms and conditions prescribed in Sec. 1 of this Act.

That the Secretary of the Treasury is hereby authorized to borrow on the credit of the United States, from time to time, in addition to the sum authorized in Sec. 1 of this Act, such additional amount, not exceeding $63,945,460 as may be necessary to redeem the 3 per cent. loan of 1908 to 1918, maturing August 1, 1918, and to issue therefor bonds of the United States in the manner and under the terms and conditions prescribed in Sec. 1 of this Act.

Sec. 5. That any series of bonds issued under authority of Secs. 1 and 4 of this Act may, under

such terms and conditions as the Secretary of the Treasury may prescribe, be convertible into bonds bearing a higher rate of interest than the rate at which the same were issued if any subsequent series of bonds shall be issued at a higher rate of interest before the termination of the war between the United States and the Imperial German Government, the date of such termination to be fixed by a proclamation of the President of the United States.

Sec. 6. That in addition to the bonds authorized by Secs. 1 and 4 of this Act, the Secretary of the Treasury is authorized to borrow from time to time, on the credit of the United States, for the purposes of this Act and to meet public expenditures authorized by law, such sum or sums as, in his judgment, may be necessary, and to issue therefor certificates of indebtedness at not less than par in such form and subject to such terms and conditions and at such rate of interest, not exceeding 3½ per cent. per annum, as he may prescribe; and each certificate so issued shall be payable, with the interest accrued theron, at such time, not exceeding one year from the date of its issue, as the Secretary of the Treasury may prescribe. Certificates of indebtedness herein authorized shall not bear the circulation privilege, and the sum of such certificates outstanding shall at no time exceed in the aggregate $2,000,000,000, and such certificates shall be exempt, both as to principal and interest, from all taxation, except estate or inheritance taxes, imposed by authority of the United States, or its possessions, or by any State or local taxing authority.

Sec. 7. That the Secretary of the Treasury, in his discretion, is hereby authorized to deposit in such banks and trust companies as he may designate the proceeds, or any part thereof, arising from the sale of the bonds and certificates of indebtedness authorized by this Act, or the bonds previously authorized as described in Sec. 4 of this Act, and such deposits may bear such rate of interest and be subject to such terms and conditions as the Secretary of the Treasury may prescribe: *Provided*, That the amount so deposited shall not in any case exceed the amount withdrawn from any such bank or trust company and invested in such bonds or certificates of indebtedness plus the amount so invested by such bank or trust company, and such deposits shall be secured in the manner required for other deposits by Sec. 5153, Revised Statues, and amendments thereto: *Provided, further*, That the provisions of Sec. 5191 of the Revised Statutes, as amended by the Federal Reserve Act and the amendments thereof, with reference to the reserves required to be kept by national banking associations and other member banks of the Federal reserve system, shall not apply to deposits of public moneys by the United States in designated depositaries.

Sec. 8. That in order to pay all necessary expenses, including rent, connected with any operations under this Act, a sum not exceeding one-tenth of 1 per cent. of the amount of bonds and one-tenth of 1 per cent. of the amount of certificates of indebtedness herein authorized is hereby appropriated, or as much thereof as may be necessary, out of any money in the Treasury not otherwise appropriated, to be expended as the Secretary of the Treasury may direct: *Provided*, That, in addition to the reports now required by law, the Secretary of the Treasury shall, on the first Monday in December, 1917, and annually thereafter, transmit to the Congress a detailed statement of all expenditures under this Act.

OFFICIAL NOTICE

STATEMENT FOR APRIL 1, 1917.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of the Journal of the American Bankers Association published monthly at New York, N. Y., for April 1, 1917.

STATE OF NEW YORK, COUNTY OF NEW YORK.—Before me, a Notary Public in and for the State and county aforesaid, personally appeared Arthur D. Welton, who, having been duly sworn according to law, deposes and says that he is the Editor of the Journal of the American Bankers Association and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse side of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Name of—	*Post office address—*
Publisher, Fred. E. Farnsworth	5 Nassau Street, New York, N. Y.
Editor, Arthur D. Welton	5 Nassau Street, New York, N. Y.
Managing Editor, George Lewis	5 Nassau Street, New York, N. Y.
Business Manager, Arthur D. Welton	5 Nassau Street, New York, N. Y.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.)

Name of—	*Post office address—*
The American Bankers Association	5 Nassau Street, New York, N. Y.

(A voluntary, unincorporated association of 16,325 bankers; P. W. Goebel, Commercial National Bank, Kansas City, Kan., President, and Fred. E. Farnsworth, 5 Nassau Street, New York, General Secretary.)

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is........................
(This information is required from daily publications only.)

(Signed) ARTHUR D. WELTON.
(Signature of editor.)

Sworn to and subscribed before me this 18th day of March, 1917.

[SEAL.]

(Signed) HERRICK J. SKINNER.
Notary Public, Bronx County, No. 60.
Certificate filed in New York County, No. 429, New York.
(My commission expires March 30, 1917.)

Form 3526.—Ed. 1916.

"ADS" FOR RESERVE BANK MEMBERS

IN an endeavor to promote interest on the part of member banks in the Federal reserve system and to bring to their notice some of the many advantages which their membership offers, the Federal Reserve Bank of New York has had prepared a series of advertisements suitable for newspaper use. Some are illustrated and some are not, the two types being shown in the accompanying illustrations. There are sufficient in the two sets to allow a wide range of choice as to style and topic and they are accompanied by full information for their use. Here are the suggestions concerning the advertisements which do not take illustrations:

1—Use any you like and change them in any way you like. A change of a word here or there will often adapt them better to your individual or local conditions.

2—But do not add detailed appeals, as, for example, for savings. Copy which includes too many ideas is weak. It might be well to alternate you special advertisements with these copies.

3—The copies may be used in a single or double column, but it might be well to approximate closely the rules and type used in the samples. These advertisements have been scientifically arranged. Sufficient white space has been used to make them legible and inviting to the eye. If you wish to run them in the same style, simply tear out those you wish to use, writing on each "follow set-up" as instruction to the printer.

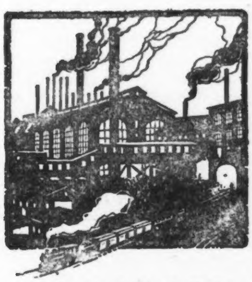
4—If you do not wish to distribute the pamphlet omit mention of it in the advertisements.

5—Where two or more member banks are in the same place it might be well for them to confer about using the advertisements.

Following are the suggestions regarding use of the illustrated advertisements:

1—It is generally conceded by advertising experts that illustrated advertisements produce greater results than those which are not illustrated.

2—One of the leading firms which design such illustrated advertising, Messrs. George Ethridge Company of 23 East 26th Street, New York, has kindly prepared this set at our request.



$18 **$1,000,000**

These are the amounts of the smallest and largest pieces of commercial paper the Federal reserve banks have thus far discounted for their member banks.

These figures strikingly illustrate the adaptability of this system, of which we are members, to the varying needs of borrowers. Its vast resources are always available for the protection of business, large or small.

If you are not already getting this protection as one of our depositors why not open a banking account today and secure it?

MEMBER FEDERAL RESERVE SYSTEM

(Name of Bank to be Inserted Here)

Through Our Membership

in the Federal Reserve Banking System we are placed in a stronger position than ever before to take care of the requirements of all our depositors, whether large or small, whether they keep checking or savings accounts; and at the same time to give them the most modern banking service.

Why not open an account with us and begin at once to participate in these benefits and the additional protection which this system gives to your money deposited with us?

(Name of Bank to be Inserted Here)

Patriotism and Business

Every good citizen at this time should do his share toward strengthening the Federal Reserve Banking System which our Government has created with its billion dollars of resources to stand back of its member banks and all their depositors.

You can contribute directly to the strength of this system, and at the same time secure its protection by depositing your money with us, since part of every dollar you deposit with us goes directly into the new system, where it is always ready for you when wanted.

MEMBER FEDERAL RESERVE SYSTEM

This is a suggestion for prompt action.

FIRST NATIONAL BANK

Send for Booklet, "How Does it Benefit Me?"

Farmers and the New Banking System

The Federal Reserve Banking System with its thousand million dollars of resources stands back of its member banks and assists them in taking care of the needs of their depositors.

Our membership in this system gives us special facilities for enabling farmers to plant, gather and store their crops.

The next time you come to town stop in and let us tell you how this new system enables us to help you.

MEMBER FEDERAL RESERVE SYSTEM

FIRST NATIONAL BANK

Send for Booklet, "How Does it Benefit Me?"

3—You can order by number from this firm plates of any copies in the set which you wish to use, at fifty cents apiece. The local newspaper can fill in the name of your bank.

4—Please state in ordering whether you wish the plate to include the text or only the illustration and border, leaving the text to be set up by the local newspaper.

5—If you wish to distribute the pamphlet in connection with the advertising have the newspaper add the words, Send for "How it benefits me" just under the name of your bank.

6—Where two or more member banks are in the same place it might be well for them to confer about using the advertisements.

The pamphlet referred to is a twelve-page affair written in popular style and making a strong appeal to the business man, farmer and wage-earner.

PHILIP S. BABCOCK

Philip S. Babcock, Secretary of the Trust Company Section of the American Bankers Association from 1908 to 1916, died March 30, 1917, at the age of fifty-three, at his home at Mount Vernon, N. Y. He was born May 31, 1864, at Stonington, Conn., of distinguished New England ancestry. His father, Capt. David S. Babcock, was a well-known railroad and steamship official. Mr. Babcock was educated principally at the Brooklyn Polytechnic Institute, the Institution Sillig of Vevey, Switzerland, and Yale, class of 1887. He did not, however, finish his course at the latter institution but left after two years on account of the sudden death of his father, and immediately entered the banking business.

His first position was with the Central Trust Company with which he remained until 1897 when on the organization of the Colonial Trust Company he accepted the position of trust officer in that institution. In 1904 he was elected vice-president, and on the merger of that company with the Trust Company of America in 1907 he was made vice-president. After the panic of 1907 he retired from active business and devoted his time to the Trust Company Section of the American Bankers Association in which he had always taken a great interest. He attended the conventions of the Association with marked regularity and served successively as a member of the Executive Committee of the Trust Company Section, chairman of that committee, vice-president, and in 1907 as president. On his retirement from active business and from the presidency of the Section, he was elected Secretary of the Section and served in that capacity until September, 1916, when he resigned owing to continued ill health. During service as Secretary he did valuable work in the interest of the Section, among which was the supervision of the compilation of the book, "Trust Company Laws—States and Territories," and the preparation of a book of forms for trust companies. He leaves a widow and four children.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

The Owen-Glass Bills Amending the Federal Reserve Act

THE Owen-Glass bills containing proposed amendments to the Federal Reserve Act recommended by the Federal Reserve Board, which failed of passage in the last Congress, were re-introduced in the Senate and House at the first session of the present sixty-fifth Congress.

In the Senate the bill originally introduced by Mr. Owen on April 4, S. 8, was considered by the Banking and Currency Committee, and a new bill to take the place of S. 8 was introduced by Mr. Owen on April 16, S. 1796, containing provisions as agreed upon by the Committee. This was reported to the Senate April 17 without amendment and its passage recommended. S. 1796 (the substitute for S. 8), covers in the main the following subjects:

1. Assistants to Reserve Agents. This amends section four of the Act by abolishing the title and office of deputy Federal reserve agent and authorizes the reserve agent to appoint one or more assistants.

2. Admission of state banks. This provides an amendment of section nine designed to make membership in the Federal reserve system more convenient and desirable to state banks and trust companies. Such banks will be required to comply with the reserve and capital requirements of the Act and those provisions of law which prohibit national banks from loaning on or purchasing their own stock, which relate to the withdrawal or impairment of capital and the payment of unearned dividends; officers and employees of such banks would also be subject to the penalties imposed by U. S. Rev. Stat. Sec. 5209 covering embezzlement. Three reports will be required annually to the Federal reserve bank when called for by such bank on dates fixed by the Federal Reserve Board. Such banks would likewise be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Board, but whenever the directors of the Federal reserve bank approve the examinations made by state authorities, these may be accepted in lieu of the Federal examinations. The Board, however, may order special examinations by examiners of its own selection whenever deemed necessary. Provisions are inserted by which state banks or trust companies may withdraw from membership, except that there is a limit on withdrawals to not more than 10 per cent. of the capital stock of the Federal reserve bank within the same calendar year, except by express authority of the Federal Reserve Board. State banks are not to be subject to examination under the provisions of section 5240 of the United States Revised Statutes, by examiners appointed by the Comptroller of the Currency. Subject to the provisions of the Act and regulations of the Board, state bank members retain their full charter and statutory rights granted by the state and are entitled to all privileges of member banks, except that no Federal reserve bank can discount for a state bank member, paper of any one borrower who is liable for borrowed money to the state bank in an amount greater than 10 per cent. of the capital and surplus, but the discount of bills of exchange drawn against actually existing value is not to be considered as borrowed money. This is intended to leave undisturbed the loan limits allowed state banks under their local laws while protecting the Federal reserve banks by limiting the rediscount privileges to not exceeding 10 per cent. of capital and surplus of the member bank.

3. Extending clearing and collection facilities to non-member banks. The bill provides an amendment to the first paragraph of section thirteen which would permit non-member banks to maintain an account with the Federal reserve bank and have its items collected by the Federal reserve bank.

4. Acceptances. This amends section thirteen of the Federal Reserve Act by adding a proviso empowering the Federal Reserve Board to authorize any member to accept foreign or domestic bills not exceeding in the aggregate at any time 100 per cent. of its paid up capital and surplus with a limitation of acceptances for any one person of 20 per cent. of capital and surplus.

5. A number of changes are made in section sixteen designed to permit the Federal reserve banks to exchange Federal reserve notes in lieu of gold and thus gather in the idle gold now carried in the pockets of citizens. Gold in the hands of the reserve agent against notes may be counted by the reserve bank as part of the gold reserve it must hold against outstanding reserve notes.

6. A further amendment of section sixteen permits deposits of gold coin and gold certificates with the Treasurer and sub-Treasurer to the credit of the Federal Reserve Board. This is for convenience in handling the daily exchanges between the reserve banks which now must be done by physically transferring gold certificates from one bank to another.

7. An amendment of section seventeen obviates the necessity of compelling national banks to keep a minimum deposit of United States bonds with the Treasurer of the United States where their circulation has been retired.

8. Reserves. Section nineteen is proposed to be amended by including postal savings deposits within the definition of time deposits and amending the reserve requirement so that banks not in reserve or central reserve cities must keep net reserves with the Federal reserve bank of not less than 6 per cent. of demand and 3 per cent. of time deposits; banks in reserve cities, 10 per cent. of demand and 3 per cent. of time deposits and banks in central reserve cities not less than 13 per cent. of demand and 3 per cent. of time deposits. In addition every member bank must keep in its own vaults specie or currency equal to 4 per cent. of its demand deposits less the amount of reserves with the Federal reserve bank which are in excess of the minimum reserves required.

9. That part of section twenty-two which prohibits an officer, director or employee to receive a gift, commission or consideration in connection with any transaction or business of the bank, aside from the usual salary or director's fee, is proposed to be amended so as to allow an attorney of a member bank to receive a reasonable fee for services and also to permit the described officials to receive the same rate of interest on their deposits as is paid to other depositors, and to receive the same discount accommodations as are given other borrowers where the discount is permitted by affirmative vote or written assent of three-fourths of the directors of the member bank.

Up to the present writing (April 23), this bill has not been taken up by the Senate for consideration.

On April 18 Senator Hardwick introduced an amendment intended to be proposed by him to S. 1796, which was ordered to lie on the table and be printed. The amendment consists of the following addition to section thirteen of the Act:

"*Provided, further*, That nothing in this or any other section of this Act shall be construed as prohibiting a member or non-member bank from making reasonable charges, in no case to exceed ten cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise." This is the amendment which the Committee of Twenty-five have been urging in conjunction with the Committee on Federal Legislation of the American Bankers Association. A similar amendment was submitted by Senator Gronna on April 21 as intended to be proposed by him to S. 1796, which was likewise ordered to lie on the table and be printed.

In a report by the Committee on Banking and Currency, this proposed amendment is referred to and disfavored, and included in the report is a letter of the Federal Reserve Board in which they take a stand against the proposed amendment. It is not the purpose here to discuss the merits of the proposition nor present an argument in answer to the adverse views contained in the report. It will suffice to state that the Committee on Federal Legislation, working in conjunction with the Committee of Twenty-five in pursuance of resolution adopted by the Convention at Kansas City, has done its full duty in connection with urging the proposed amendment. What action the Senate will take remains to be seen.

In the House the Glass bill, H. R. 213, containing proposed amendments to the Federal Reserve Act recommended by the Federal Reserve Board, was introduced April 2, 1917, and has not at this writing been reported, nor so far as our information goes, been considered as yet by the House Committee on Banking and Currency.

This bill contains corresponding provisions, with some variations, to those of the Owen bill covering the subjects of (1) appointment of assistants to Federal reserve agent, (2) extension of collection facilities to non-member banks, (3) the making of acceptances, upon approval of the Board, up to 100 per cent. of capital and surplus limited, however, to foreign acceptances, (4) relieving national banks which have retired their circulation of the necessity of keeping a minimum deposit of bonds with the Treasurer, (5) changing the reserve requirements, except that the minimum net balance to be kept by country banks with the Federal reserve bank is fixed at 7 per cent. of demand and 3 per cent. of time deposits without any requirement of an amount of till money to be kept in the vaults, and (6) amending in like manner the provisions of section twenty-two that refer to fees and commissions.

The Glass bill contains no corresponding provision to that of the Owen bill providing requirements for admission and withdrawal of state banks and trust companies as members; but does contain provisions, not in the Owen bill, empowering the Federal Reserve Board to require Federal reserve banks to establish domestic branches within the district as well as to require Federal reserve banks to establish connections abroad.

Neither the Glass bill nor the Owen bill contains any provision, similar to that introduced in

the previous Congress, authorizing branches of national banks in cities.

The above is intended merely as a summary, for the information of members, of the Glass and Owen bills, indicating the character of amendments respectively introduced and the status of the bills, without any attempt to enter into a discussion of the reasons underlying such amendments. Our Committee on Federal Legislation has been active, not only in urging the proposed Gronna-Hardwick amendment providing reasonable charges, but also, as directed by the Kansas City Convention, in urging an amendment whereby the reserves of country banks against demand deposits will be reduced to 10 per cent., one-half in the Federal reserve bank and one-half in vaults of the member bank. The Senate bill S. 1796 is slightly more favorable to our contention in this latter particular than is H. R. 213, as the former provides a reserve of 6 per cent. in bank and 4 per cent. till money in vaults, while the House bill requires a reserve of 7 per cent. to be kept with the Federal reserve bank. We are still urging a reduction of this amount to 5 per cent. with the Federal reserve bank as a requirement which will provide an adequate reserve and one better suited to the needs and interests of the country bank.

Note.—The House Committee on Banking and Currency met on April 25 for the first time this session and reported out H. R. 3673, introduced by Mr. Glass, April 23, which is identical with H. R. 213 except that it adds a section incorporating the provisions for admission of state banks contained in Section 2 of the Owen bill.

OPINIONS OF THE GENERAL COUNSEL

PAYMENT OF CHECK RECEIVED THROUGH MAIL

Where a check against sufficient funds is received through the mail by the drawee bank for payment and remittance, the check is paid at the time the amount is charged to the drawer's account and the check cancelled; thereafter the fund is held for the credit of the holder and control of the drawer ceases and he has no right to stop payment even though actual remittance has not been made.

From Massachusetts—When is a check, received by a bank in a cash letter from a correspondent bank, legally accepted and paid by the drawee bank where depositor has funds to pay check? Can a check so received, be superseded by a check received later in the day, at the request of the depositor against whose account the check is drawn? Example—A check is received in cash letter and handled by a clerk, is check then legally presented and accepted? or, bookkeeper later examines check and passes on signature, is check then legally presented and accepted? or, bookkeeper receives check and posts same to account on ledger, depositor has sufficient funds, is check then legally presented, accepted and paid? If after check has been posted to account can depositor against whom check is charged bring in a check on that account, and request bank to return check already posted and pay check in his hand, not having sufficient funds on deposit to pay both?

From Oregon—Some time ago we received in the morning's mail from one of our correspondents among other items a certain check drawn on us, which appeared regular in every way; there were funds to meet it, it was honored and stamped paid. The letter of advice from our correspondent was put on the spindle and the amount thereof remitted some time during the day. About an hour after the bank was opened in the morning and after the check was cancelled, the drawer of the same came in and inquired whether this check had yet shown up. He was shown the check and his attention called to the fact that it was honored and marked paid, and he remarked: "I had meant to stop payment on this check," and he walked out. A month or so later he again called at the bank and stated that he had had legal advice to the effect that he had a perfect right to stop payment on a check at any time during the day on which it is received by the bank from its correspondent, notwithstanding the fact that it may have been cancelled on its face when the amount thereof has not actually passed over into the correspondent's hands. We claim that after the check was stamped paid by us, the amount of it we held as agent for the correspondent bank, and that a notice to stop payment would be too late after the cancellation of the check, even though the amount had not been remitted. Are we correct?

Both the above inquiries refer to a situation where a check against sufficient funds is received through the mail by the drawee bank for payment and remittance and relate to the point of time in the physical handling of such check by the drawee when the check is paid, after which it will be too late for the drawer to stop payment, or to withdraw or control the fund.

Under the Negotiable Instruments Act "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank and the bank is not liable to the holder, unless and until it accepts or certifies the check." So long as the check remains a mere order to the bank to pay, the drawer has the right of countermand. Recent expressions by the courts concerning the right to stop payment are as follows:

"A check is a mere order to pay from the depositor's account according to the instructions therein contained and is subject to revocation by the drawer at any time before it has been paid or certified by the bank." Mitchell *v.* Security Bank, 147 N. Y. Supp. 470.

"The giving of a check is not an assignment of the fund to the payee and the drawer may countermand its payment at any time before payment is actually made or written acceptance given by the drawee. A check in the hands of a payee is nothing more than an order given by

the party having a right to make disposition of the fund in the hands of his debtor and if, before such order is acted upon either by payment or by written acceptance, a subsequent order is given to dishonor the original order, the subsequent order controls." Kellogg *v.* Citizens Bank, 162 S. W. (Mo.) 643.

"Checks * * * until presented and paid, are revocable by the drawer, who has the legal control of the moneys to his credit until actual acceptance or payment of the checks, and this upon the principle that the contract and obligation of the banker is to and with the depositor, and not the holders of his checks." First Nat. Bank *v.* School District, 120 Pac. (Okla.) 614.

The rule, then, is that until a check is actually paid or the bank has bound itself thereon by written acceptance or certification, the drawer retains control and may stop payment. The question here is as to the precise point of time in the history of the check, when received through the mail, at which it will be held actually and irrevocably paid and the control of the drawer at an end. When the check is presented by the holder at the counter, no trouble in determining this point of time arises. The delivery of the money to the holder completes the payment; or if the check is certified and returned to the holder, the drawer's control likewise ceases at the time of delivery and he is discharged from liability on the instrument. Or where the holder is also a depositor in the same bank and presents the check for deposit, the entry of the credit on his passbook is held by the courts generally as equivalent to payment and irrevocable.*

But where the check is received by the drawee through the mail there is more difficulty in determining the point of time when it is actually paid and the drawer's control ceases. The authorities which will aid in a solution of this question are not numerous.

In Albers *v.* Commercial Bank, 85 Mo. 173, A made his check on the Commercial Bank payable to C who deposited it with B bank which presented it through the clearing house. The check came to the drawee through the clearing house in the forenoon and was then checked from the clearing house file and charged to the account of A. After this and between one and two p. m. of the same day, A notified the bank not to pay the check. The cashier then caused to be written upon the check, which had been cancelled by placing upon a cancelling file "Cancelled by mistake"; the charge upon the books was erased and the check handed to B bank's messenger, who gave in exchange some checks and some money, but B bank at once notified the drawee it would not receive the check. A complaint was filed with the clearing house committee, which determined that the drawee should pay the check, which it did and charged the amount to A's account. A had no notice of the proceeding before the committee and brought an action against the bank for the amount. The Supreme Court of Missouri held that the check was paid before the notice not to pay was given. It said "the liability of the bank to pay the check did not become fixed upon mere presentment of the check" but "if the bank receives the check, pays the money or its equivalent to the holder, cancels and charges up the check to the maker, such acts must be regarded as payment and this payment cannot be rescinded without the consent of the person to whom payment of the check was made." The court further held that the evidence did not show that the payment had been rescinded by mutual assent of the parties. Evidence of a clearing house custom was introduced under which the receiving bank had until two o'clock the same day to return the check, but evidence was also shown that no such right existed when the check was "good" and had been cancelled. This custom was not relied upon by the parties and the court said it had no controlling force in the case.

In American Nat. Bank *v.* Miller, 229 U. S. 517, a depositor of the American National Bank of Nashville who resided in Macon, Georgia, and who was indebted on unmatured paper to the Nashville bank to a large amount, issued his check for $3,000 on that bank payable to a bank in Macon, Georgia, which the latter mailed to the drawee with instructions to place it to its, the Macon bank's, credit. The check was received by the Nashville bank at eight o'clock Monday morning, May 16. The letter was opened shortly after nine o'clock and was credited to the Macon bank's account about eleven o'clock a. m. One hour earlier, or ten a. m., a petition in bankruptcy had been filed against the depositor in Macon. The Nashville bank was not advised of the failure and about two p. m. the same day it charged the check to the depositor's account and the same day mailed a letter to the Macon bank stating that its account had been credited with the amount of the check. Four or five days later, having learned of its depositor's bankruptcy, it charged off the amount, claiming that its depositor's insolvency on the morning of the 16th gave it the right of set-off, even against his unmatured paper. The suit was by the receiver of the Macon bank against the Nashville bank to recover the $3,000. The Supreme Court of the United States said:

"There are some disadvantages of sending a check for collection directly to the bank on which it is drawn, but when such bank performs the dual function of collecting and crediting, the transaction is closed and in the absence of fraud or mistake, is equivalent to payment in the usual course. In the present case it was as though an officer of the Macon bank had presented the check to the teller of the Nashville bank and, on receiving the money,

*In a few cases this rule is modified by custom under which the credit is conditional upon sufficiency of the drawer's account and the bank has the right to charge the amount back the same day if found insufficient; but the exception would not apply where the account was sufficient at the time of the deposit.

had paid it back over the counter for deposit to the credit of the Macon bank." The court further denied a contention of the Nashville bank that as the Macon bank had notice that the drawer of the check was insolvent, there was presented an element of fraud and mistake which entitled it to cancel the credit, saying "without, therefore, inquiring as to what would have been the duty of the Macon bank had it known of Plant's (the drawer's) insolvency and indebtedness on the $50,000 drafts, we hold that as it had no such knowledge in fact, it was not charged with such knowledge in law."

In the light of these two cases and in the absence of more specific authority, I think it reasonable to conclude that the courts would hold that a check drawn upon a sufficient deposit, received through the mails by the drawee, would be paid and the drawer's control over the fund would cease, at the point of time when the check was actually charged to the drawer's account on the books of the bank.

A bank is entitled to a reasonable time to inspect its accounts and determine whether the depositor has sufficient funds to warrant payment. State Nat. Bank *v.* Boettcher, 5 Colo. 185; Liggett *v.* Weed, 7 Kan. 273; Western Wheeled Scraper Co. *v.* Sadilek, 50 Nebr. 105; Boyd *v.* Emerson, 2 Adol. & El. 184. A bank also is entitled to a reasonable time to inspect the check as to signature and otherwise to determine its genuineness. The mere receipt of the check by the drawee, or the handling of the check by the bookkeeper who examines the signature and the account, would not therefore be held an acceptance and payment by the bank, as these acts are merely preliminary to determination whether or not the check will be paid or rejected. The Missouri case expressly holds that the liability of the bank does not become fixed upon mere receipt of the check. But when the bank, by its authorized officer or clerk, determines to pay the check, it would seem that the charging of the drawer's account with the amount coupled with the cancellation of the check, which is presumably done at the same time, is the physical act which carries such determination into effect and that the check is then irrevocably paid and the fund thereafter beyond the control of the drawer, even though afterwards and before remittance, the depositor notifies the bank not to pay. Upon charging the amount to the drawer's account, the fund is removed from his control and is thereafter held by the bank, not as his agent, but as collecting agent of the holder; and if the bank should obey the stop order and refuse to remit, it would be violating its duty to the holder.

In the Nashville bank case the holder's account was credited with the amount of the check before it was charged to the drawer's account, the crediting being at eleven a. m. and the charging to the drawer at two p. m. The Supreme Court of the United States did not distinguish between these two acts, as it was not necessary to its decision but held that the charging and crediting was equivalent to payment and the fund thereafter, in the absence of fraud or mistake, irrevocably belonged to the holder, not being subject thereafter to the bank's claim against the depositor and, of course, not subject to the control of the drawer. Had this case been one where the check was received with request for remittance and the amount was charged to the drawer's account before, but not remitted until after, a notice not to pay by the depositor, I think it is reasonable to infer that a decision would have been made that the charging of the check constituted a payment which could not be revoked.

This is virtually so held in the Missouri case, where the check was received through the clearing house, charged to the drawer's account and cancelled, following which on the same day, notice not to pay was received. The court held that receipt through the clearing house was not a payment, for had the check been not good it could have been returned, but the charging to the account and cancellation, operated as a payment and the subsequent stop order was too late. In this case the check was afterwards marked "cancelled by mistake," but the court pointed out that this assertion was not borne out by the fact, as the check had not been cancelled by mistake.

There are cases which hold that when a check has been paid or certified by mistake, as where the account is not good for the amount, the payment or certification is revocable provided notice of the mistake is given before injury to the holder results. Thus in Rankin *v.* Colonial Bank, 64 N. Y. Supp. 32, an overdrawn check was certified by mistake and the bank notified the holder in time to prevent possible injury. It was held the bank was not liable to the holder for more than the amount to the credit of the depositor at the time the mistaken certification was made. Also in Carley *v.* Potter's Bank, 46 S. W. (Tenn.) 328, an overdrawn check, received by the drawee through the mail for collection, was inadvertently stamped "paid" and the remittance placed in the mail covering this amount. The remittance letter was reclaimed from the post-office and the check protested. The account of the drawer had not been charged with the amount. The court held the payment was revocable.

But the proposition now under consideration contemplates a case where the check is good, and the element of mistake or fraud is not involved. In such case the reasonable conclusion would seem to be—although it is to be regretted that the precise rule is not more clearly defined by the authorities—that where a check is received by the drawee in the mail, it is not to be deemed paid at the time of receipt or of handling by bookkeepers or tellers for the purpose of examination as to genuineness of signature and sufficiency of account, but is to be deemed paid at the point of time when, after

such examination, the check is charged to the account of the drawer and is cancelled. Thereafter, the account is held by the bank as agent of the holder of the check and is beyond the control of the drawer or his right to stop payment, although remittance to the holder, or credit to his account, is not actually made until after a notice not to pay is given by the depositor. After such charge to his account, the depositor has not the power to stop payment or to compel the bank to return the check unpaid and pay him the deposit.

CHECK "NOT PAYABLE THROUGH EXPRESS COMPANY"

Where drawer of check stamps same "not payable through an express company" (1) such provision is valid and does not affect negotiability (2) duty of drawee is to refuse to pay when so presented (3) drawee so refusing would not incur liability either to drawer or holder (4) check could not be lawfully protested and holder causing protest would be liable to drawer in damages.

From New York—As a member bank, we desire your opinion upon the following:

A customer of our bank stamps on his check, "not payable through an express company." What is the legal effect of such provision; particularly

(1) Is such provision valid and does it affect the negotiability of the check?

(2) What is the duty of our bank should such check be presented by an express company?

(3) If our bank refused to pay such check so presented, would it incur any liability (a) to our customer (b) to the holder or owner of the check?

(4) Could such a check be lawfully protested upon refusal to pay? If so protested, what would be the consequences?

Where the drawer of a check stamps or writes thereon a provision "not payable through an express company," in my opinion (1) such provision is valid and does not affect the negotiability of the check, (2) the duty of the drawee bank is to refuse to pay such a check so presented, (3) the bank so refusing would not incur any liability to the drawer, its customer, nor to the holder or owner of the check, and (4) such check could not be lawfully protested and if protested, the holder or owner causing protest would be subject to an action for damages at suit of the drawer.

In amplification of the above would say:

1. The conclusion that a check so drawn is valid and negotiable is supported by decisions of the Supreme Court of North Carolina and of Georgia and there are no contrary decisions of which I am aware.

In Commercial Nat. Bank *v.* First Nat. Bank 118 N. C. 783, a check was drawn on the First National Bank of Gastonia, North Carolina, and had stamped across its face the following:

"This check positively will not be paid to the Gastonia Cotton Mfg. Co., the Gastonia Banking Co., or any of its agents."

The check was negotiated by the payee and presented for payment by the Gastonia Banking Co., one of the prohibited parties, and payment was refused, and the court held that the restriction was valid and did not destroy the negotiability of the check to other parties than those provided against. The court said: "In England the system of crossed checks has long been recognized as valid. By that system there is stamped across the face of the check the name of a certain banker through whom it must be presented for payment, and if presented by any one else, it will not be honored. This does not destroy negotiability in any wise. The present case does not go that far, but merely stipulates that the check will not be honored if presented through one agency named. This cannot be deemed an unreasonable restriction of trade. Nor is it a boycott. There is no evidence of a conspiracy to injure the agency named, but it is agreed as a fact that it was an effort on the part of the drawer firm to prevent its transactions and the nature and extent of its business becoming known to a rival house by its checks passing through that channel."

In Farmers Bank of Nashville *v.* Johnson, 134 Ga. 486, a check was drawn on the Bank of Nashville, Ga., "payable through the Citizens Bank of Valdosta, Ga., at current rate." The check was presented to the Bank of Nashville by the Farmers Bank of Nashville and upon presentation, the Bank of Nashville wrote on the back of the check "will pay when presented through the Citizens Bank of Valdosta, Ga." Thereupon the Farmers Bank caused the check to be protested. The Supreme Court of Georgia held that the provision making the check payable through a named bank was a material part of the direction; that the drawee bank was not required to pay the check when not presented through the bank thus named, but directly by a third bank, and that the refusal of the drawee to pay the check except as indicated did not authorize the bank holding the check to have it protested. The court said that the words "payable through the Citizens Bank of Valdosta," etc., formed a part of the check which the drawee bank was bound to regard and which it had no right to disregard; furthermore, such direction required payment through the Valdosta bank and was not merely permissive so that payment could be demanded either through that channel or directly from the drawee bank; that presentment being required to be made through the designated channel only, the drawee had the right to decline payment except upon presentment in that manner and where the bank holding the paper refused to recognize such reason for non-payment on presentment by it and caused the check to be protested, such action was unwarranted. I will not burden

this opinion with a statement of the discussion of the court leading to this conclusion.

In the first of these cases, it is seen, a provision that a check will not be paid to certain persons is held valid, does not affect negotiability and it is the right and duty of the drawee bank to refuse payment to such persons; in the second case, the restriction that a check is payable only through a specified bank is held valid and it is the right and duty of the drawee to decline to pay when presented by any other bank.

In the light of these cases and of the reasoning upon which the decisions are based, I am of opinion that where a customer stamps on his check "not payable through an express company" the provision is valid and does not affect the negotiability of the check.

2. For like reasons I am of opinion that it is the duty of the drawee bank, should such check be presented by or through an express company, to obey the direction of the drawer and refuse to pay same. It has been expressly held that a direction of this character is not merely permissive but that the drawee bank is bound to regard it.

3. The bank so refusing to pay would not incur any liability to the drawer of the check or to the holder or owner of the check by reason of such refusal. So far as the drawer is concerned, it is simply obeying his direction and if it should disobey such direction and make payment through the prohibited channel it would incur liability to him for disregarding his instructions could he, in any case, prove that he was damaged thereby. Nor would any liability be incurred to the holder or owner of the check. The Negotiable Instruments Act expressly provides that "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check" (Sec. 325, N. I. Act). It is familiar law and requires no citation of authority that a check is a mere order on and authority to the bank to pay and, prior to acceptance or certification, confers no rights upon the holder against the bank. Whether a refusal to pay is rightful or wrongful, the sole recourse of the holder is against the drawer and prior parties. In a case such as the present, refusal to pay, in view of the conclusion above announced, would be rightful.

4. The remaining question is whether such a check, upon refusal to pay, could be lawfully protested and if so protested what consequences would follow. In the North Carolina case first above cited, the action was by the holder of the check, which had been refused payment because presented through the prohibited agency, both against the drawer and drawee. The court held there could be no right of action against the drawee prior to acceptance by the bank and that the holder of the check could not recover from the drawer until the check had been lawfully presented and payment refused. As it appeared that the check had never been presented to the drawee except by the prohibited person, the court held there was no right of action against the drawer. In the Georgia case, where the check was refused payment because presented by a holder other than the designated bank, the presenting bank caused the check to be protested and the action was by the drawer against such bank for damages. The court held that the collecting bank was not authorized to have the check protested and that its unauthorized act furnished a cause of action to the drawer for damages because of the wrongful protest. It follows that where a check containing the direction "not payable through an express company" is presented for payment by an express company, or its agent, and refused payment for that reason, the instrument cannot be lawfully protested, that the holder has no right of action either against the drawee or drawer thereon but, to the contrary, the drawer has a right of action against the bank causing the protest, for damages which he may suffer as a result of such wrongful protest.

ACCEPTANCE OF CHECK

Drawee bank wiring promise to pay check is bound as acceptor and drawer cannot thereafter stop payment—But where drawee promises to pay check over telephone it is not bound, acceptance not being in writing, except in Texas where an oral promise to pay will bind bank.

From Texas—I wish to inquire as to the validity of a certification of a check over the telephone or by wire. Can drawer of check stop same after holder has called up drawee bank over phone asking if check is "good," and receiving reply in the affirmative? Can drawer stop payment after drawee bank has wired holder that they will pay?

1. After the drawee bank has wired the holder that it will pay a specified check, it is too late for the drawer to stop payment. The telegraphic promise by the drawee to pay binds it as an acceptor of the check. See, for example, the decisions in your own State of Henrietta National Bank *v.* State National Bank, 80 Tex. 648, holding that a check may be certified by telegraph. Also Elliott *v.* First State Bank, 152 S. W. (Tex.) 808, in which it was held that a telegram from a bank to an inquirer "B has deposited with us $1,790 to pay check drawn by A in favor of C," constitutes a valid certification.

2. Where a bank, in answer to an inquiry over the telephone concerning a certain check, replies that it is good and will be paid, the courts generally hold that the bank is not bound by such oral promise, in view of the almost universal statutory requirement that an acceptance must be in writing.

See, for example, Van Buskirk *v.* State Bank of Rocky Ford, 83 Pac. (Col.) 778.

But in Texas, differing from nearly every other state, there is no statutory requirement that an acceptance must be in writing and the courts in your state have held that while an acceptance is usually evidenced by the word "accepted" written on the bill and signed by the drawee, the acceptance need not be in writing, since any act or word evidencing a promise to pay the bill according to its tenor is sufficient to constitute an acceptance. The comparatively recent decision of the Court of Civil Appeals of Texas in Home National Bank *v.* First State Bank, 133 S. W. 935, has a direct bearing on your question whether, in Texas, the drawer of a check can stop payment after the holder has received a reply to his inquiry over the telephone to the effect that the check is good. If this constitutes an acceptance, the drawer cannot stop payment; otherwise he can. In the case stated, an inquiry over the telephone was made of the drawee concerning certain checks of a depositor, whether they were all right. The vice-president of the bank after examining the account in the ledger replied over the phone that "the checks are all right if the signatures are all right." The holder then asked if the bank would pay the checks, but the officer did not answer that and hung up the receiver. Afterwards the drawer stopped payment. In an action by the holder against the bank based upon an alleged acceptance the court, while holding that an acceptance need not be in writing but that an oral promise to pay is sufficient, decided upon the testimony that the drawee did not promise to pay the checks in controversy. It said: "It is one thing for a bank to say that a check is good and quite another in legal effect to promise to pay it. It is this promise that constitutes an acceptance and consequent liability." Upon a motion for rehearing in this case it was contended that the court's ruling that a statement that a check is good was not tantamount to a certification, was contrary to the weight of authority. The court in denying the motion for a rehearing apparently conceded that the statement that a check is good, might operate as a certification by way of estoppel, provided the statement induced the holder to take the check, but pointed to the fact that in the case under consideration the holder had not taken the checks on faith of the bank's statement. It then held that under the facts it was unnecessary to make the ruling complained of, since the bank's case did not rest alone on evidence that its vice-president said the checks were "all right," but there was further evidence that the holder twice asked if the checks would be paid and the bank's officer refused to promise payment. This circumstance alone, the court held, would support the ruling that the bank had not accepted or certified the checks.

I have cited this decision at length as it has a special bearing in your own state of Texas where the law that an oral certification is valid differs from the rule prevailing in all or nearly all the other states. In nearly all the states a promise over the telephone to pay a check is not binding on the drawee bank, because it is not in writing. But in Texas, a specific promise over the telephone to pay a check would be held binding and the drawer could not thereafter stop payment. The cited case, however, illustrates the uncertainty of the Texas law where the oral statement over the telephone is not a clear and unequivocal promise to pay, but is to the effect that the check is good. The right of the drawer to stop payment in any specific case, therefore, would depend upon exactly what was said by the drawee over the telephone which, if an absolute promise to pay, would be held binding on the bank and the check thereafter irrevocable by the drawer.

PAYMENT OF CHECK AFTER DEATH OF DRAWER

In Massachusetts, where a bank is authorized to pay a check after the drawer's death within ten days (and a savings bank within thirty days) after its date, the authority does not extend to the day following the time limited, although the last day falls on Sunday.

From Massachusetts—The Massachusetts Law, I think of 1885, is that checks can be cashed against a person's account ten days after date of check, if maker dies. A check is dated June 3, and the ten days would bring it to the 13th. The maker died on the 13th, but that day being Sunday, would Sunday be counted, or would the 14th, Monday, be considered the 10th day?

Section 17 Chapter 73 of the Revised Laws of Massachusetts provides:

"A depositary of funds subject to withdrawal by check or demand draft may pay a check or demand draft drawn on it by a depositor having funds on deposit to pay the same, notwithstanding his death, upon presentation within ten days after its date." The above was originally enacted as Section 1, Chapter 210, Laws of 1885.

Section 36 of Chapter 113 of the Revised Laws of Massachusetts relating to savings banks, provides:

"Such corporation may pay an order, drawn by a person who has funds on deposit to meet the same, notwithstanding the death of the drawer, if presentation is made within thirty days after the date of such order; and at any time if the corporation has not received actual notice of the death of the drawer." The above was originally Section 2 of Chapter 210 Laws of 1885.

The question presented is whether the authority to the bank to pay a check after the death of the drawer "within ten days" or "within thirty days"

after its date, according as the case comes under one or the other statute, will extend to the following day when the tenth day or the thirtieth day falls upon Sunday.

The rule recognized in many jurisdictions is that when the last day of a period of time within which an act is to be done falls on Sunday, that day is excluded from the computation and the act may be rightfully done on the following day, an exception to the rule existing where the act in question may be lawfully done on Sunday. 38 Cyc. 329 and cases cited.

But a contrary rule appears to prevail in Massachusetts. In Cunningham *v.* Mahan, 112 Mass. 58, 59, the court said:

"When a statute fixes a limitation of time within which a particular act may or may not be done, if the time limited exceeds a week, Sunday is included in the computation; but if it is less than a week, Sunday is excluded. This is the established rule of interpretation in this state."

In Cooley *v.* Cook, 125 Mass. 406, where the question related to a period of four months, it was said:

"Whenever the time limited by a statute for a particular purpose is such as must necessarily include one or more Sundays, Sundays are to be included in the computation, even if the last day of the time limited happens to fall on Sunday, unless they are expressly excluded, or the intention of the Legislature to exclude them appears manifest."

In Stevenson *v.* Donnelly, 108 N. E. 926, decided in 1915, the Supreme Court of Massachusetts held that the rule laid down in Cunningham *v.* Mahan, was still the law of the State and said:

"The statement of the law in Cooley *v.* Cook was not phrased with a view to any such question as is here presented, but with reference to the computation of a period within which several Sundays of necessity would be included. That case discloses no purpose to change the rule stated in Cunningham *v.* Mahan. It is a simple rule, easy of application and as free from the possibility of misapprehension or mistake as any such rule well can be, to hold that in computing any period of time less than a week, Sunday is to be excluded; and that in computing any period of time of a week or more, Sunday is to be included. This is the law as it has been commonly understood and practiced in this commonwealth for many years. It is a good practical rule."

Under the law of Massachusetts, therefore, as the time limited within which a check may be paid after the drawer's check exceeds a week, Sunday is included in the computation, although the last day of the time limited happens to fall on Sunday. In other words, in the case stated, Sunday would be counted as the tenth day and the bank would have no authority to pay the check on Monday.

CHECK ON BRANCH BANK

The drawer of a check on his deposit in a branch bank can stop payment thereof after the check has been purchased by the parent bank but before it has been presented at the branch bank, and the parent bank is not a payor of the check but a holder in due course, entitled to enforce payment against the drawer and prior indorsers.

From Alabama—In the Journal of September, 1914, page 169, you gave an opinion "Check on Branch Bank," and it is our desire that you go into the matter more fully, especially as to "stop payment" checks. 1. Can a depositor stop the payment of his check drawn on a branch bank after it has been cashed by the parent bank? 2. What effect would it have if the indorsement of the payee had been made on the check by the maker? The payee saying that he could not write his name asks that the maker of the check write his name on the check for him, without making his mark and witnessing same. Does an endorsement of this nature bind the maker as to the guarantee in the face of the check? 3. It has been my understanding that in cashing checks on a branch bank by the parent bank that the parent bank becomes a holder in due course and has recourse on the endorser and maker for the amount in case the check for any reason is not paid. Is this the correct status of the case?

The opinion published in the Journal of September, 1914, was to the effect that while the branches of a bank are agencies and not distinct banks, the courts recognize that for certain purposes, including the presentment and payment of checks, the different branches are to be regarded as distinct. You ask:

1. Can a depositor stop the payment of his check drawn on a branch bank after it has been cashed by the parent bank? The rule being that so far as the presentation and payment of checks are concerned, the branch is to be regarded as separate and distinct from the parent bank (Ironclad Mfg. Co. *v.* Sackin, 114 N. Y. Suppl. 42; Streater *v.* Bank of Cape Fear, 2 Jones Eq. (N. C.) 231; Prince *v.* Oriental Bank, 47 L. J. P. C. 42), it would follow that payment of a check by the parent bank, drawn on one of its branches, would be at its peril and it would no more be protected from the effect of a stop payment order than a stranger bank or any other third person. So far as the drawer of the check is concerned, his right to countermand the payment thereof exists up to the time of actual payment or acceptance by the bank upon which the check is drawn, in this case the branch bank.

2. You further ask what would be the effect upon the drawer's right to stop payment if the indorsement of the payee had been made by the drawer at the request of the payee. I presume your thought here is that such indorsement of the payee's name might possibly have the effect of a guarantee

of payment by the drawer or estop him from afterwards revoking the check. I do not think any such effect would follow. A principal may indorse by the hand of his authorized agent and in this case the drawer, indorsing the payee's name, does so as his agent and by his authority. It is an indorsement by the payee and not by the drawer and the legal effect would be the same as if the payee personally indorsed. In other words, the drawer would not waive his right to stop payment because he acted as agent for the payee in indorsing the latter's name.

3. Your third question is whether, where a check drawn on a branch is cashed by the parent bank, the latter is a holder in due course with recourse upon the drawer and prior indorsers, provided payment has been stopped or the check is refused for other reason. I think the parent bank would be a purchaser of the check and hold the instrument with equal right to enforce against the drawer and prior parties in event of non-payment, as would be possessed by an independent purchaser. This question has been passed upon in England, Woodland *v.* Fear, 7 El. & B. 519. In that case an English banking company had a branch at Glastonbury and another at Bridgewater, both in Somersetshire. A check drawn on the branch at Glastonbury was deposited by the holder in the Bridgewater branch, and forwarded with due diligence for payment. The drawer's account in the Glastonbury branch was good at the time the check was deposited at Bridgewater; but he had drawn it out before it was presented for payment at Glastonbury. The parent bank brought suit against the depositor of the check in the Bridgewater branch to recover the money on the check which had been paid him by that branch, as money had and received without consideration. A recovery was adjudged.

The court said the case was not one of a banker paying a stranger the check of his customer, supposing he had funds and afterwards finding out that he had not, in which case the banker could not recover the money, there being no fraud in the stranger; but the true view of the case was that the different branches were in the nature of separate banks. The drawer of the check kept no account at Bridgewater and could draw no check on that establishment and he and it did not stand in the relation of banker and customer; the check in question must be considered as having been cashed for the credit of the holder. The court said the check was not drawn on the banking company generally but on the banking company at Glastonbury, and this, coupled with the fact that the drawer kept his account and his balance only there, shows that the Bridgewater establishment was not bound to honor his check (even supposing he had assets at Glastonbury), as a banker, under the same circumstances as to assets, is bound to honor the check of his customer. To hold that the customer of one branch, keeping his cash and account there, has a right to have his checks paid at all or any of the branches, is to suppose a state of circumstances so inconsistent with any safe dealing on the part of the banker, that it cannot be presumed without direct evidence of such an agreement. If, then, the drawer is not to be taken to have drawn the check on the company simply, or on the Bridgewater branch separately, and had no authority to draw on either so as to enforce payment, the Bridgewater branch could not properly be considered to have paid the check as his bankers, or on his credit; and if so, they must have paid it on the credit of their own depositor as much as if they had given him change for a bank note, in which case, if it turned out to be worthless, an action might clearly be maintained to recover the money advanced.

UNAUTHORIZED PHOTOGRAPHING OF UNITED STATES NOTES UNLAWFUL

The United States Criminal Code prohibits the making of photographs of any obligation or other security of the United States, except under authority of the Secretary of the Treasury.

From Pennsylvania—Will you kindly inform us if there is any law against taking a photograph of money. One of our customers wants to take a photograph of a bunch of money if same is permissible.

It would not be lawful for your customer to make a photograph of a package of Government money as suggested. Section 150 of the United States Criminal Code expressly provides that ". . . or whoever shall print, photograph, or in any other manner make or execute, or cause to be printed, photographed, made, or executed, or shall aid in printing, photographing, making, or executing any engraving, photograph, print, or impression in the likeness of any such obligation or other security (of the United States) or any part thereof, or shall sell any such engraving, photograph, print, or impression, except to the United States, or shall bring into the United States or any place subject to the jurisdiction thereof, from any foreign place any such engraving, photograph, print, or impression, except by direction of some proper officer of the United States . . . except under the authority of the Secretary of the Treasury or some other proper officer of the United States, shall be fined not more than five thousand dollars, or imprisoned not more than fifteen years, or both."

INTEREST ON NOTE PAYABLE IN ANOTHER STATE

Note drawn in New York payable in another state, with interest but without specifying rate, carries interest at legal rate of state where payable.

From New York—Kindly advise us in regard to the following: If a note drawn for a certain amount, with interest (no rate specified) is signed and dated at a place in this state and is made payable in another state where the legal rate of interest is 8 per cent., what rate of interest can be collected?

I think 8 per cent. can be collected on the note. It has been held in several cases that where a contract for the payment of money is made in one place and provides for payment in another, and no rate of interest is expressed in the contract, the interest is to be governed by the law of the place where it is payable. Pomeroy *v.* Ainsworth, 22 Barb. (N. Y.) 118; Wood *v.* Kelso, 27 Pa. 241; Hunt's Ex'r *v.* Hall, 37 Ala. 702; Bent *v.* Lauve, 3 La. Ann. 88.

SAVINGS ACCOUNTS AND CERTIFICATES OF DEPOSIT AS TIME DEPOSITS

A savings deposit evidenced by pass-book requiring thirty-five days' notice of withdrawal but providing that the bank may waive the notice, is a time deposit within the definition of Section 19 Federal Reserve Act as further defined by Regulation D, Series of 1916—But a certificate of deposit payable on return and "thirty-five days demand if required" is not a time certificate as defined by Regulation D, although a court might hold that it came within the definition of time certificates provided by Section 19 of the Act.

From Pennsylvania—We are a national bank. Our certificate of deposit reads as follows: "........................ Pa. .... 19........ No. .... There has been deposited in this bank payable to the order of .... $........................ on return of this Certificate properly indorsed and thirty-five days' demand if required. Interest at .... per cent. per annum if left .... months NOT SUBJECT TO CHECK." On page 686, second column, of the Federal Reserve Bulletin is an opinion given by M. C. Elliott, Counsel to the Hon. W. P. G. Harding, Governor of the Federal Reserve Board, to which I would call your attention. The mode of withdrawing funds as we have it in our Savings pass-book is as follows: "Thirty-five days' notice of withdrawal of part or all of the funds represented by this account must be given, but the Bank may waive this notice requirement." We believe our notice complies with the spirit of the law as we would surely enforce it should occasion arise to make it necessary. We have not thus far required it. Will you please give me your opinion and oblige.

The Federal Reserve Act provides that "time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days notice before payment."

The Federal Reserve Board have published a ruling defining what they will consider time deposits under this provision. (Regulation D, Series of 1916.) In this regulation they separate time deposits into three classes:

1. Time deposits, open accounts.
2. Savings accounts.
3. Time certificates of deposit.

The opinion of Counsel Elliott of the Federal Reserve Board to which you refer (F. R. Bull. Dec. 1916, page 686) relates to a deposit of the first class, namely, an open account time deposit. Your letter to me asks concerning a savings account represented by pass-book and also as to a certificate of deposit. The provisions of Regulation D concerning these two classes differ somewhat from the provision as to open account time deposits, as well as from each other.

1. Regulation D provides as to savings accounts:

"The term 'savings accounts' shall be held to include those accounts of the bank in respect to which, by its printed regulations, accepted by the depositor at the time the account is opened—

(a) The pass book, certificate, or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made, and

(b) The depositor may at any time be required by the bank to give notice of an intended withdrawal not less than thirty days before a withdrawal is made."

The printed rule in your pass-book provides:

"Thirty-five days' notice of withdrawal of part or all of the funds represented by this account must be given, but the Bank may waive this notice requirement."

I presume your pass-book rules require that the pass-book must be presented whenever a deposit or withdrawal is made and the only question is whether your rule concerning the withdrawal of funds will comply with Regulation D. The regulation is that the pass-book rule shall provide that the deposit may at any time be required to give not less than thirty days' notice before withdrawal. Your rule requires thirty-five days' notice, but provides that the bank may waive the requirement. I think

this is within the spirit of the regulation which does not contemplate that the depositor must in every case give at least thirty days' notice before withdrawal but simply that the bank shall have the right to require such notice. You require such notice in your rules but provide that you may waive it.

2. Regulation D as to time certificates of deposit provides:

> "A 'time certificate of deposit' is defined as an instrument evidencing the deposit with a bank, either with or without interest, of a certain sum specified on the face of the certificate payable in whole or in part to the depositor or on his order—
>
> (a) On a certain date, specified on the certificate, not less than thirty days after the date of the deposit, or
>
> (b) After the lapse of a certain specified time subsequent to the date of the certificate, in no case less than thirty days, or
>
> (c) Upon written notice given a certain specified number of days, not less than thirty days before the date of repayment, and
>
> (d) In all cases only upon presentation of the certificate at each withdrawal for proper indorsement or surrender."

Your certificate of deposit is payable on return properly indorsed "and thirty-five days demand if required." In other words it is payable on demand with the right in the bank to require, at its option, thirty-five days' notice before payment. This would not be a time certificate of deposit within the definition of the regulation which apparently does not contemplate a demand certificate subject to notice before withdrawal if required by the bank. Your certificate by its terms is payable on demand with the right in the bank to require notice and it would not come within the definition of a certificate payable upon written notice given a certain specified number of days, not less than thirty, before date of repayment. Nor would it be a "certificate" within the definition of a savings account contained in the regulation, for the term as therein used contemplates a receipt, similar to a pass-book, which is presented whenever deposits or withdrawals are made.

At the same time the act itself places in the same category of time deposits "all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment" and a court might interpret this to mean that a certificate of deposit equally as a savings account, payable on demand, but as to which the bank has the right by the terms of the certificate to require at least thirty days' notice before payment, is a time certificate of deposit within the definition of the law.

OUTLAW OF TIME CERTIFICATE OF DEPOSIT

In Minnesota a time certificate is outlawed six years after maturity, and the bank may credit undivided profits with amount of an unpaid certificate.

From Minnesota—We are carrying on our books two Time Certificates of Deposit, bearing interest at 3 per cent. Both of these certificates were issued in 1907 (being six months certificates), before the present management purchased this bank. It was only recently that we looked up to whom these certificates were issued. We find that one of them was issued to a party who is now dead and the estate has been probated and distributed and we know not the whereabouts of the heirs. The other was issued apparently to a stranger, as no one here seems to remember the party. We should like to dispose of these certificates in some manner, so we do not have to carry them outstanding all the time, as they are a nuisance to the bookkeepers. Are we compelled to carry these certificates on our books indefinitely, or can we credit exchange, or undivided profits, with the amount of said certificates, with the intention that later on if they should turn up properly indorsed we would pay them and charge back the account they were credited to?

The first thing to determine is whether these certificates are outlawed or whether your bank is still liable thereon. The certificates are not payable on demand or on return properly indorsed; but are payable in six months time. There is a conflict of authority whether the statute of limitations runs from date or only from time of demand, in case of a demand certificate and a like conflict whether, upon a time certificate, the statute runs from date of maturity or only from date of demand. In Minnesota it has been held the statute begins to run against a demand certificate or a certificate payable on return properly indorsed from its date. (Mitchell *v.* Wilkins, 33 N. W. [Minn.] 910; Mitchell *v.* Easton, 37 Minn. 335) and while the courts have not specifically passed upon a time certificate with reference to the statute of limitations, there is no question but that the same principle upon which the statute is held to run from date of a demand certificate without demand, would equally apply and that the statute would be held to run from date of maturity of a time certificate, without demand. See, for example, Thomson *v.* Farmers State Bank, 140 N. W. (Iowa) 877, holding that the right of action on a certificate payable on return properly indorsed six months after date, accrued at the end of six months and the statute of limitations then began to run; although the same court in an earlier case (Elliott *v.* Capital City State Bank, 103 N. W. 777) held that upon a certificate payable on return properly indorsed the right of action did not accrue until demand and that the statute of limitations did not begin to run until demand. With stronger

reason, therefore, would the Minnesota courts, which have held that the statute begins to run from date of a demand certificate, hold that it would likewise run from time of maturity of a time certificate and that no demand of payment would first be necessary.

Under the Minnesota statute of limitations, action upon such a contract must be brought within six years and as the certificates of which you inquire matured nearly ten years ago, the conclusion follows that your bank is no longer liable thereon and may credit the amount to undivided profits.

In some states statutes exist requiring unclaimed deposits to be paid over to the public authorities, but in Minnesota there is no such statute, so far as going banks are concerned, although there is a provision in the case of liquidated banks under which the Superintendent of Banks takes charge of unclaimed and unpaid deposits.

STATE TAXATION OF NATIONAL BANKS

The taxation of national bank shares at a higher rate than moneyed capital invested in real estate, stocks and other kinds of property, has been held not a violation of the anti-discrimination provision of Section 5219 U. S. Revised Statutes, where the "moneyed capital" so undertaxed is not used in competition with that of national banks.

From Mississippi—We are having some trouble with the tax collectors in this state and are being forced to pay taxes on full book value of our stock, whereas real estate and many other kinds of property is taxed on only a small percentage of actual value. It has occurred to the writer that the Association could render us some service in the way of indicating where we could find decisions touching tax matters, especially state tax assessments against national banks. I would be pleased to have you advise me.

The matter of discrimination against which you complain, of taxing national bank stock on full book value while real estate and other kinds of property is taxed only on a small percentage of actual value, has been fought through the Supreme Court of the United States without obtaining relief. That court has held in several cases that the provision of Section 5219 U. S. Revised Statutes "that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state" only protects the national bank shareholder where the unequal and lower rate of taxation is levied upon institutions doing a competing business with national banks; that the term "moneyed capital" is limited to such capital as comes into competition with national banks and does not mean all moneyed capital employed in other enterprises. For example, the fact that stock in railroad, mining, manufacturing and other corporations or real estate is undervalued while national bank shares are taxed at full value does not bring such taxation within the prohibition of Section 5219. See, for example, Mercantile National Bank *v.* N. Y., 121 U. S. 138; Aberdeen First National Bank *v.* Chehalis County, 166 U. S. 440.

Our Association have been urging an amendment to the National Bank Act to make the discrimination provision of the Section apply in case of all moneyed capital whether or not in competition with that of national banks; but so far we have not been successful. There is no justice, as I can see it, in taxing certain kinds of property at a lower rate than national bank property, even though the property of competing state banks is taxed at the same high rate as that of national banks.

SET-OFF AGAINST ACCOUNT OF DECEASED DEPOSITOR

A bank has a right to set off against the account of a depositor a matured debt owing by such depositor at the time of his decease and to refuse to pay the check of the administrator against the deposit so set off.

From Missouri—Today we had one of our customers hand us a check drawn on another bank, as administrator of an estate, against the account of the deceased in that bank. The bank refuses to pay the check, claiming that it is entitled to an offset of the deposit on a debt that the deceased owes the bank. Our probate court holds that a bank has no right of offset, even if the debt of the deceased is due. We contend that under the law of Missouri a bank has a right to offset the balance of a debtor if living, if the debt is due, and that this right also extends to the credit in favor of a deceased customer, if his debt is due at the time of his death. We will be pleased to have you give us your opinion on the above.

The Missouri statute with respect to set-off provides: "In suits brought by administrators and executors, debts existing against their intestate or testator, and belonging to the defendant at the time of their death, may be set off by the defendant, in the same manner as if the action had been brought by and in the name of the deceased; but no demand against an executor or administrator, in his own individual capacity shall be allowed as a set-off against any debt or damages sued for by such administrator or executor, upon a contract made by

him in his representative capacity, whether or not the contract shows the representative capacity in which he contracted." (Rev. Stat. Mo. 1899, Sec. 4489).

In Padgett *v.* Bank of Mountain View, 125 S. W. (Mo.) 219, the court recognized the right of set-off by a bank against the account of a depositor of a matured obligation owing by the depositor at the time of his death. The court in this case said:

"During the life of Padgett, the bank had the right to offset one claim against the other, but Padgett's death closed the accounts between them, and while the bank could strike the balance as of the date of Padgett's death, and could credit any money then on deposit on any obligation which it then held against Padgett, it could not take into consideration any items accruing to the estate after Padgett's death."

It follows that the bank upon which the check of the administrator was drawn had a right to set off against the account of a depositor a matured debt owing by him at the time of his death and to refuse to pay the check of the administrator upon the deposit so set off.

TAXATION OF SAVINGS DEPOSITS IN PENNSYLVANIA

The statutes of Pennsylvania do not exempt savings deposits from taxation and such deposits are subject to the four mill tax for state purposes as part of the personal property of the depositor under the Act of May 11, 1911.

From Pennsylvania—Will you advise us if money deposited with this (national) bank in our Savings Department where a pass-book is issued is subject to our state tax levied on money at interest.

The statute in Pennsylvania (Act of May 11, 1911) imposing taxes on personal property for state purposes at the rate of four mills on each dollar of the value thereof includes in the subjects of taxation "all moneys owing by solvent debtors * * * all accounts bearing interest * * * all other moneyed capital in the hands of individual citizens of the state."

As there is no exemption of deposits in savings banks or in savings departments of commercial banks, it would seem that the depositor would be subject to four mills personal tax on such deposits as part of his personal property.

A TRADE ACCEPTANCE BUREAU

The interest in the trade acceptance in substitution for the open account has so broadened of late that it was decided at a recent conference held by the National Association of Credit Men to establish a "Trade Acceptance Bureau" in the association's offices. The bureau will prepare and issue a series of leaflets covering such subjects as:

"What is the trade acceptance and why has discussion as to its adoption arisen at this time?"

"What forms of acceptance are approved by the Federal Reserve Board and what technical points in form and manner of use are to be observed?"

"What are the advantages to the seller, and what to the buyer of merchandise presented by the trade acceptance system?"

"Establishing the acceptance policy in a concern and the preparation of forms and invoices and introductory matter for the presentation of the system to customers."

"Experience of concerns using the acceptance, with illustrations showing methods used to increase the number of accepting customers."

The association has been given plenty of evidence that business men look favorably upon the acceptance principle and need only advice and direction to bring this instrument of preparedness into general use and thus put business into a position to take full and prompt advantage of the Federal Reserve System.

It is hoped that the bureau will be made use of not only by members of the association but by trade organizations, many of which have already expressed deep interest in this subject, and also by all concerns interested.

The bureau will be glad to send upon application forms of acceptances in general use, copies of addresses which have been made by business men and bankers on the subject and leaflets which have been issued by various Federal reserve banks. The desire is to have the bureau a center of information upon this subject. All communications should be addressed "Trade Acceptance Bureau, National Association of Credit Men, 41 Park Row, New York."

TRUST COMPANY SECTION

TRUST COMPANIES EXPRESS THEIR PATRIOTISM

Following closely upon the call to war by the President of the United States, and in agreement with the later appeal of the President for greater production, conservation and co-operation upon the part of individuals and institutions, the Executive Committee of the Trust Company Section met in New York City, April 10, and passed a resolution expressive of their patriotism, and in connection with which all members were addressed on the 11th instant by the Chairman of the Executive Committee as follows:

TO THE MEMBER ADDRESSED:

For your information, I take pleasure in advising you that at a meeting of the Executive Committee of this Section, held in the Library of the American Bankers Association, on Tuesday, April 10, 1917, the following preamble and resolution was unanimously adopted:

"The Executive Committee of the Trust Company Section of the American Bankers Association, representing trust companies in all sections of the United States, being called in special session, Tuesday, April 10, 1917, by its Chairman, John W. Platten, to consider the general conditions facing the country at the present time and with a full recognition of its patriotic duty and privilege, has unanimously adopted the following resolution:

"WHEREAS, the nation is in a state of war and it is the earnest desire of the trust companies of the United States to serve the country in every way in their power, and

WHEREAS, it is recognized by this Committee that one of the most important duties of the trust companies is to co-operate in the mobilization of the financial resources of the United States, therefore be it

RESOLVED, that this Committee urgently recommend to the trust companies of the United States that immediate steps be taken to secure amendments, where necessary, to the state laws in order to permit the trust companies to carry their gold reserves on deposit with the Federal reserve banks in their several districts, and that as soon as such action can be legally taken, the trust companies offer to deposit these reserves with the Federal reserve banks."

Expressing the hope that we may count on your hearty co-operation in the carrying out of the foregoing recommendations and especially in securing any changes in your state laws necessary for the accomplishment of the desired end, I am.

A communication was also sent to the presidents and secretaries of state trust company sections and certain state bankers' associations, in which attention was called to the purpose of the resolution, and seeking the assistance of state officials and trust companies towards securing the adoption, where necessary, at the earliest possible date, of such legislation as would best tend to promote the carrying out of the recommendations offered by the Executive Committee.

As a result of this action widespread interest has been created upon the part of trust companies, and meetings have already been held in several states, at which definite action was taken looking toward complete co-operation in assisting the government in the mobilization of the country's gold reserve.

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

PRESIDENT
GEO. E. EDWARDS, President Dollar Savings Bank, New York, N. Y.

FIRST VICE-PRESIDENT
JOSEPH R. NOEL, President Noel State Bank, Chicago, Ill.

SECRETARY
MILTON W. HARRISON
Five Nassau Street, New York City.

THE THRIFT CAMPAIGN AND WAR FINANCE

In a recent number of the *New York Times* Howard E. Coffin, member of the Advisory Commission of the Council of National Defense, stated that "Some states and municipalities are stopping road building and other public work. General business is being slowed down because of the emotional response of the trading public to these misguided campaigns for economy; savings are being withdrawn from the banks; reports show that some people have begun to hoard food supplies, and thousands of workers are being thrown needlessly out of employment. All this is wrong. Unemployment and closed factories, brought about by fitful and ill-advised campaigns for public and private economy, will prove a veritable foundation of quicksand for the serious work we have at hand. It is true that the President has said that this is a time to correct our habits of wastefulness. Certainly! But the keynote of his message to the people was this paragraph: 'It is evident to every thinking man that our industries, on the farm, in the shipyards, in the mines, in the factories, must be made more prolific and more efficient.' "

In the conduct of a thrift campaign it is difficult to create the right impression in the public mind concerning the proper understanding of thrift. It was not intended that the Association's thrift campaign was to teach the people to live on nothing a week and save the rest. It was not intended that there should be any reduction in the standard of living; but it was intended that the people should live within their incomes and profitably employ their funds by placing them in the savings bank where they would get a reasonable return in compound interest. There is not enough "hysterical savings" in this country to justify Mr. Coffin's remarks as direct reference to the thrift campaign. Business must go on as usual, but extravagance must cease and waste be eliminated if we expect to finance the war. Seven billion dollars! What a huge sum it is! Whether the American people are able to absorb it or not will depend upon whether they can save it; whether they can curb expenditure consistently without injuring the courses of usual business and industry.

In Great Britain the loans in 1915 and 1916 amounted to £1,616,312,950, absorbed by 6,389,000 subscribers. Up to the autumn of 1916 the war loans of France, omitting the two national loans, amounted to $6,400,000,000, absorbed by 6,340,705 subscribers. Up to September, 1916, 36,334,000,000 marks was the total of four war loans of Germany with 13,117,361 subscribers. Whether the people of this country can successfully absorb the seven billion dollar war loan or not is hard to determine. If they do it will only be the result of co-operation and intensive campaigning. To equal the record of Germany a great amount of effort will have to be made, and even to equal the number of subscribers in the other two countries, a nation-wide effort must be on a tremendous scale.

What the bankers can do will assuredly mean much in bringing about a successful issue. This is the time when every savings banker should give considerable thought and attention to assisting the government in every possible way. Above all, we should secure the co-operation of the newspapers in informing the people that it is undesirable to withdraw funds from banks and to teach the elimination of waste and extravagance.

THE EARNINGS OF A MUTUAL SAVINGS BANK

The fundamental difference between a capital stock bank and a mutual savings bank is in liability. To meet depreciation in the value of securities, to meet losses, a capital stock bank generally has a good surplus fund, as well as the liability of stockholders to twice the amount of capital stock held by them. On the other hand the mutual savings bank must depend upon surplus or guaranty fund in the event of loss or depreciation.

The mutual savings banker has often been referred to as ultra conservative; that is his reputation. He will not listen to propositions which involve risk. Consequently he has built up an institution containing elements of strength and stability.

Out of his earnings each interest or dividend period he has taken a good percentage and placed it in a guaranty fund. This fund he watches constantly. Hence, he has splendidly maintained this fund. The growth in savings deposits of mutual savings banks from 1890 to 1915 has been tremendous, increasing from $1,268,309,742 in 1890 to $3,945,508,685 in 1915, or according to the report of the Comptroller of the Currency, $4,186,976,600 in 1916. The percentage of surplus to deposits has increased from 10 7-10 per cent. in 1890 to 9 1-10 per cent. in 1915.

It is interesting to note the relative disposition of earnings of mutual savings banks in seven states as observed by the following table:

State	Over-head	Dividend	Surplus	Total
Massachusetts	12.27%	75.48%	12.25%	100%
Connecticut	13.89%	77.62%	8.48%	100%
Maine	21.45%	68.81%	9.74%	100%
New Hampshire......	15. %	74.37%	10.63%	100%
New York	9.54%	74.72%	15.64%	100%
New Jersey	14.4 %	70.57%	15.03%	100%
Maryland	10.67%	66.79%	22.54%	100%
United States	13.90%	72.62%	13.48%	100%

Included in the overhead are the taxes. Massachusetts savings banks are taxed one-half of 1 per cent. annually on amount of deposits less taxable real estate, loans secured by mortgage and Massachusetts bonds. Connecticut banks are taxed one-quarter of 1 per cent. per annum in lieu of all other taxes on savings deposits and surplus. Real estate is deducted as well as other certain exempt investments. Maine has a very elaborate method of taxation of savings deposits. The annual tax is five-eighths of 1 per cent. after deducting certain exempt classes of investments. New Hampshire banks pay tax of three-quarters of 1 per cent. on interest-bearing savings deposits minus real estate and loans on real estate at not over 5 per cent. New York banks pay an annual tax which is equal to 1 per cent. on the par value of surplus and undivided profits. New Jersey banks pay one-half of 1 per cent. on amount of deposits minus funds on hand and amount in public bonds exempt from taxation. Maryland banks are taxed one-quarter of 1 per cent. without any exemption. Hence may be observed the reason for the high overhead in Maine. Perhaps the best showing is found in the Maryland banks with an overhead of 10.67 per cent., a dividend of 66.79 per cent. and to surplus 22.54 per cent., considering the relatively high rate of taxation.

The upkeep of bank buildings is an interesting item to consider; .0102 per cent. of the total assets of New York mutual savings banks is invested in bank buildings, while .0083 per cent. of the total assets of the banks of Connecticut and .0079 per cent. of the total assets of the Massachusetts banks is invested in the same way. Now of course the upkeep of the buildings of New York banks must be relatively greater than that of the banks of Connecticut and Massachusetts. Consequently the overhead of the New York banks may not be too high. There is no doubt that the strictest economy is practiced in the management of the savings banks referred to above. There is close government supervision in most all the states.

SECTION NOTES

Public Utilities Legal in Maine and Vermont.

Savings banks in Maine and Vermont may now invest in the first mortgage bonds of any electric light and power corporation in New Hampshire, Maine, Massachusetts, Vermont, Rhode Island, Connecticutt, New York, Pennsylvania, Maryland, Ohio, Indiana, Kentucky, Michigan, Wisconsin, Minnesota, Iowa, Illinois, Missouri, Kansas and Nebraska. The Maine law requires that the average gross income of said corporation for three years next preceding such investment shall not have been less than $200,000 each year, and the average net income of said corporation for the same period shall not have been less than twice interest charges on the bonds outstanding secured by such mortgage, and all "prior liens"; and further that such net income for the last preceding year shall have been not less than one and one-half times the interest charges on all the interest-bearing indebtedness of the corporation.

The Possibilities of War Finance in the United States.

According to the comparison of per capita income of the leading nations of the world, if Great Britain, with per capita income of $309, can have a per capita debt of $452, the United States with a per capita income of $500 and a per capita debt of $11 could assume a $75,000,000,000 war debt. Comparison of the income of the American people with those of other nations follows:

	Wealth	Income	Debt	Population
United States	*$200,000	*$50,000	*$1,100	100,000,000
per capita	2,000	500	11	
British Isles	*85,000	*13,000	*19,000	42,000,000
per capita	2,024	309	452	
France	*50,000	*6,000	*17,000	39,600,000
per capita	1,263	152	429	
Russia	*50,000	*8,000	*13,000	175,000,000
per capita	286	46	74	
Germany	*75,000	*10,000	*17,000	66,000,000
per capita	1,136	151	258	

*Six ciphers omitted.

Bibliography of Thrift.

Upon request of the Secretary of the Section a member may secure a copy free of charge of the "Bigliography of Thrift" which also contains the address delivered by E. L. Robinson at the Kansas City Convention in commemoration of "One Hundred Years of Savings Banking" in the United States. To non-members the cost is fifty cents per copy.

CLEARING HOUSE SECTION

MONTHLY CLEARINGS

NOBLE ACT OF A CLEARING HOUSE EMPLOYEE.

Miss Christina P. Maxwell, who for eight years has rendered faithful service as a stenographer and trusted clerk in the offices of the Kansas City Clearing House Association, contributed $3,333 out of her savings of $3,500—accumulated over a period of eleven years—to a fund to be used in establishing a home for crippled children.

In response to a query, Miss Maxwell said: "It is so hard for people to understand how anyone can really try to obey literally, Christ's command to give all. But how else can one actually be a Christian?"

VALUE OF CLEARING HOUSES AND EXTENSIONS NEEDED.

How many persons, including bankers, realize the important part that clearing houses have played in the development of the United States?

They have been called upon to protect the finances of the government at times when the credit of the nation was imperilled. They are the machinery that has saved thousands of business concerns from ruin during panics and financial depressions. Their influences for good have permeated every line of industry from coast to coast. They are the chief factors that brought about the reforms in the banking and currency laws and the improvements in banking methods and practices, which in turn have made the financial system of America equal to that of any nation. From their very inception they have continued to improve, but there is room for still further extension and betterments. Hundreds of new associations should be formed. The examination feature should be inaugurated in every community where a sufficient number of banks are located within a reasonable radius to employ the time of a competent examiner. A country collection department should be organized in every city where country checks aggregating one million dollars or more are available for concentration in such a department. Seventy-five additional cities should be induced to report total bank transactions; the Numerical System and the "No Protest Symbol Plan" should be extended and further popularized. By close co-operation and determined effort these results may be attained.

FUNDAMENTAL PRINCIPLE RECOGNIZED.

Checks are not general currency, and law and custom should demand their liquidation at the earliest possible moment. Recognizing this principle, the Lebanon and Lancaster, Pennsylvania, Clearing House Associations have extended their facilities to include all banks in their respective counties.

Lebanon and Lancaster are county seat towns. The plan operates in this way: Each bank in the county of Lebanon outside of the city of Lebanon, opened an account with a member of the Lebanon Clearing House and designated such member as its clearing agent. Each bank in the county outside of Lebanon forwards daily a letter to its Lebanon clearing agent, containing the items it has accumulated drawn upon other banks within the county, and is given immediate credit therefor. The Lebanon agent clears these items on the agents of the banks upon which they are drawn and receives through the clearing house all items those agents have received from their respective correspondents within the county. These are immediately charged against the account of the bank upon which drawn. The outlying banks remit daily to cover the balances resulting, and as compensation for the service, carry small free balances with their respective clearing agents. This plan affords prompt liquidation of checks at a minimum expense and can readily be introduced in thickly populated communities where the mail service is favorable.

CLEARING HOUSES DISPLAY THEIR COLORS.

The Chicago, Davenport, Ia., Kansas City, Oklahoma City and Tulsa, Okla., Clearing House Associations have adopted the clearing house emblem idea. The banks in most of these cities accompany the installation of the emblem with a publicity campaign which is designed to inform the public as to the true functions of banks and the relations and value of clearing houses to the communities they serve.

SAVE TIME, CUT YOUR LABOR AND EXPENSE.

By applying the following suggestions you will save time, labor and expense for your bank and for

other institutions through which checks and drafts drawn upon or by you may pass:

1. Have your transit number printed upon all your checks and drafts.
2. Show the transit number of your correspondent in connection with their name upon drafts you draw upon them.
3. Include your transit number and the proper date in the indorsements on checks and drafts passing through your hands.
4. Have printed in the center of your checks and drafts in large hairline type the number of your Federal reserve district.
5. Take the pains to instruct new customers to make the figures in the margin of checks and drafts plain and distinct, to use care in writing the amounts in the bodies of such instruments, and also to indorse them properly.
6. Use the "No Protest Symbol Plan" for automatically conveying no-protest instructions.

The Secretary of the Section will cheerfully respond to inquiries regarding these suggestions, and will be glad to receive ideas and plans that may be used in improving the facilities for handling any branch of the clearing house or banking business.

INVASION OF CANADA.

The "No-Protest Symbol Plan" has crossed the border. Secretary Ross of the Canadian Bankers Association is undertaking to arrange with the Canadian banks to recognize its use in their relations with American banks. This plan is gaining headway rapidly, and it is hoped that within a few months every bank in America will be using it.

Write the Secretary of the Clearing House Section for any information that you may desire regarding the installation of the labor-saving idea.

COMPTROLLER REQUESTS WEEKLY STATEMENTS.

The Comptroller of the Currency has requested the clearing house associations in the larger cities to wire his office at the close of business each Saturday advice as to the increase or decrease in the following items:

A. Total resources.
B. Loans and discounts.
C. Total reserves on hand.
D. Excess reserves.
E. Deficiency in reserves.
F. Aggregate deposit liabilities.
G. Individual time deposits.
H. Individual demand deposits.
I. Bank deposits.

This request was accompanied with a special cipher code for use in making the report by telegraph. Only a limited number of the clearing houses have been requiring weekly reports from their members in form that would enable them to furnish this data, but it is understood that the majority of the clearing houses addressed responded favorably.

THE RECRUITING CONTINUES.

Bucklin, Missouri, and Muscatine, Iowa, have joined the ranks of progressive American communities. The bankers of those towns, recognizing co-operation to be one of the most important factors in modern business, decided to organize clearing house associations. Working harmoniously they are able to solve many troublesome problems, reduce the hazards in business and to render greatly increased service to the people they serve.

NEW MEMBER FROM PENNSYLVANIA.

The Lebanon Clearing House Association has joined the Clearing House Section. That organization extends its facilities not only to the banks of the city of Lebanon, but to every bank in Lebanon County.

TULSA, OKLA., JOINS THE 100 CLUB.

The Tulsa (Oklahoma) Clearing House Association has arranged to report the total bank transactions. These figures are the real barometer of business, and it is hoped that other important cities will follow this lead. Tulsa recently put in the plan for clearing "Go backs," or "Return items," and the indications are that a country clearing house will be launched in this rapidly developing metropolis at a very early date.

REFUSES TO PAY EXCHANGE.

The United States Treasury declined to reimburse the financial agent of the reclamation project at Portland, Oregon, for charges made by his bank for collecting checks representing installment payments on reclamation work. There is no appropriation available for such purpose. Comptroller Warwick commented: "It is not understood why the service accepts payment by checks subject to collection charges." If merchants, jobbers, wholesalers and others would take the same stand, bank customers might be driven to buy exchange when they desire to make payments at distant points.

DON'T USE A BACK NUMBER.

The new edition of the Key to the Universal Numerical System is ready for distribution. Every bank should have a copy. The price is $1.50. Send your order to the Clearing House Section, or Rand, McNally & Company, of Chicago, Ill.

The Section has a few copies of a morocco-bound book containing a treatise on bank accounting and 300 suggested forms for the use of national and state banks. The price is $5. Send your order to Secretary Thralls.

SPRING MEETING.

The Executive Committee of the Clearing House Section will meet at Briarcliff, May 7, for the purpose of rounding up the work done by the Section since the Kansas City convention, and outlining work to be undertaken between the May meeting and the Atlantic City convention, which will be held September 24 to 29.

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

PRESIDENT
J. S. CALFEE, Cashier Mechanics-American National Bank, St. Louis, Mo.

VICE-PRESIDENT
J. ELWOOD COX, President Commercial National Bank, High Point, N. C.

CHAIRMAN EXECUTIVE COMMITTEE
OLIVER J. SANDS, President American National Bank, Richmond, Va.

SECRETARY
JEROME THRALLS, Five Nassau Street, New York City.

NATIONAL BANK AND FEDERAL RESERVE NOTES

Executive Committee Meeting Scheduled

The Executive Committee of the National Bank Section will hold its regular spring meeting at Briarcliff, Monday morning, May 7, 1917. A round up will be made of the work done by the Section since the last convention, and the activities of the Section for the future will be discussed and outlined so far as is possible.

The Section devotes its energies to matters of common interest to the national banks, and is concerned chiefly with furthering ideas designed to unify and strengthen the banking system, and to improve the methods, systems and practices among banks.

Arrangements are being made for a special session to be held at Briarcliff, Monday afternoon, May 7, 1917, with the Committee on Federal Legislation and the Federal Legislative Council for the purpose of discussing pending and suggested legislation.

The results the Section is able to accomplish depend upon the co-operation and assistance of the members. If you have ideas or suggestions upon matters of general interest to bankers, the Secretary of the Section will be glad if you will transmit them to him.

Mobilization of Banking Resources

Whether American soldiers find their way into the trenches of the warring nations of the world, or not, it is certain that a constant flow of American food, munitions and dollars to the field of action will continue. Every resource of this nation, financial and otherwise, should therefore be promptly marshalled in such way as to make them available for the common cause, "freedom and liberty of the peoples of the world," for which the allied nations of Europe are so gallantly fighting.

América has experienced unexcelled prosperity and progress during the two years past. The effects have penetrated the most remote sections of the land. We have ploughed deep trenches through the foreign fields of commerce; our exports have grown to unbelievable proportions; our trade balances have shattered all previous records. We have improved and extended our financial machinery, and the nation has risen to a position where it is recognized as one of the greatest financial and commercial powers. It is through the loyalty and industry of her citizens only that America will be able to hold this enviable position she has acquired.

The President and Congress, acting in accord, can accomplish much, but the ultimate standing and safety of the nation rest in the individual. Every man must be led to realize the broad responsibilities of citizenship, the need for unity of action and whole-hearted co-operation.

The bankers have exhibited keen foresight. They have kept their resources liquid, and have resisted the temptation of undue expansion which usually attends prosperity arising from abnormal conditions. The banks never were in better shape to meet and handle a trying situation. Their resources are more than thirty-five billion dollars! The mistake should not be made, however, that these funds are available for war purposes, that the banks can safely absorb the tremendous bond issue of seven billion dollars recently voted, or even the greater part thereof. A large part of the surplus reserves of banks will be needed in keeping the wheels of production, commerce and industry turning and taking care of the new enterprises that must come into life because of our entrance into the war.

The Federal reserve system makes possible the mobilization of approximately one-half of the banking resources. How can the other half be reached? Less than fifty state banks and trust companies have joined the system. Why does not every eligible institution become a member?

1. Many have not read and digested the law.
2. The possibilities of section twenty-two of the Act being construed and applied in such way as to cause state banks and trust companies to surrender considerable business, which is otherwise legitimate and satisfactory.
3. Section nine leaves matters for interpretation and ruling of the Board that the banks prefer and believe should be covered by statute, also provides for supervision by both the Federal Reserve Board and the Comptroller of Currency.

4. The operations of the collection system provided for by section sixteen deprive the banks of legitimate revenue now and heretofore enjoyed.
5. Misconceived notions formed because of the dissatisfaction with the system that is expressed by member national banks.
6. Limit on loans to any one person, firm or corporation, as fixed by state laws, is usually higher than that fixed by the Federal Reserve Act.

Bills are now pending before the House and Senate which, if passed, will remove the major objections to the law. The dissatisfaction that prevails is largely due to irritating propositions of relatively small consequence and which might well be waived by those in authority in the interest of friendly co-operation and the promotion of the features that are essential to the success of the important purposes contemplated by the Act.

Those who have not read and digested the law should do so immediately. Sections nine, sixteen and twenty-two should be amended to meet the defects. These things accomplished, the Federal reserve system through proper administration will not need to seek members. It may be made so attractive and render such service that no bank that is eligible to join can afford to stay on the outside.

Adequate and proper laws are desirable, but close and friendly co-operation is essential to the success of any great banking system.

Banking in America is in a stage of evolution; every possible effort should be made to unify the system. Every department of the bank should be put upon an earning basis. Efficient service should be the motto. The results will be more and better business. The public is entitled to the best service and is willing to pay a fair price therefor.

Twenty per cent. of the employees of one of the big banks of America have left their desks and have volunteered for army and navy service. This indicates the loyal spirit that prevails in the banks. The bankers generally have pledged the services of their institutions free to the government in the flotation of the war loan. A way will be found to utilize this offer when the Secretary of the Treasury has completed his plans.

Credits Improved by Federal Reserve Banks

The Federal reserve banks have rendered valuable service to the country in constantly keeping before the banks and their patrons the desirability of credit statements being furnished by borrowers to banks at least once each year. Some Federal reserve banks have prepared forms which they furnish to their members at actual cost. The Dallas bank has even offered to analyze and give expert opinion upon statements given by firms, individuals and corporations to its members—this regardless of whether the member desires to rediscount with the Federal Reserve Bank of Dallas or not.

A special committee of the American Bankers Association is working on standard credit forms. This committee will make report at the Briarcliff meeting. Some of the leading clearing houses have established comprehensive credit departments, and have induced their members to use standardized forms. This department of the clearing house greatly reduces the work involved in checking commercial paper; for illustration, six members purchase the same firm's paper from a broker or acquire it otherwise on the same day. Instead of six sets of inquiries going forward thereon, the Clearing House makes full investigation and reports to the six members interested.

All of these efforts have resulted in the commercial banks paying greater heed to the matter of getting their paper into more liquid form; in other words, increasing their holdings of the character of paper that is eligible for rediscount at the Federal reserve banks.

Trade Acceptances

Many of the independent oil distributors are financing their business almost exclusively through the use of trade acceptances. The oil people find this method safe, economical, and highly satisfactory. Many other lines might find that they can through concerted action follow the lead of the oil men in this new departure to advantage.

Gold Settlement Fund

The establishment and operations of the so-called gold settlement fund is one feature of the Federal reserve system which has elicited commendation from every section of the country. Through this plan the movement of currency has been very materially reduced, the settlements of balances between the trade and financial centers have been greatly facilitated. The plan has been of valuable assistance to banks in making their large transfers. It is hoped that arrangements will be made for daily instead of weekly settlements. This would further facilitate business and improve the plan.

Several New York city banks have arranged with the Federal reserve bank to act as their agent in relations with the New York Clearing House. This idea might be used to advantage in other cities.

Jerome Thralls

STATE BANK SECTION

OFFICERS OF THE STATE BANK SECTION

PRESIDENT
J. H. PUELICHER, Vice-Pres. Marshall & Ilsley Bank, Milwaukee, Wis.

FIRST VICE-PRESIDENT
E. D. HUXFORD, Pres. Cherokee State Bank, Cherokee, Iowa.

CHAIRMAN EXECUTIVE COMMITTEE
C. B. HAZLEWOOD, Vice-Pres. Union Trust Company, Chicago, Ill.

SECRETARY
GEORGE E. ALLEN, Five Nassau Street, New York City.

TO BE OR NOT TO BE

A SATISFIED MEMBER

From Minnesota: "We have been a member of the Federal reserve system since August 30, 1915, and are all in all well satisfied. By advertising the fact of our membership we made a much larger deposit gain than other non-member banks of our size and class of business in this city. By reason of our ability to secure funds by rediscounting at the Federal reserve bank we are now able to run on a lower cash reserve than formerly. The difference of cash reserve necessary is of sufficient amount, that this amount loaned, more than makes up the loss of interest on our balance at the Federal reserve bank. This, with our gain in deposits, has made our membership profitable. However, our object in joining was not because we expected or were certain of a money profit, but because we desired to do our part to help build one strong and efficient banking system in our country, to give our depositors better service and protection, to further protect the bank itself, thereby giving to the bank's management that 'easy feeling' which is at present much enjoyed by reason of the dark clouds ahead."

NEEDED LEGISLATION

From Minnesota: "To incline this institution to become a member of the Federal reserve system, the following changes are needed: Legislation permitting member banks to charge ten cents per $100 exchange; cutting out all competition between Federal reserve banks and member banks; doing away with the idea that the Federal reserve banks must make a profit; laws that will preserve the independent operation of state banks, that will permit the use of local funds for local purposes, the decision to be in the management of the local bank and not with a discount committee in some central city. I do not care how strong the requirements are for safe conduct of local banks, the stronger the better, but I do object to any system that will dictate the credit standing of my customers. I think I am the best judge of that condition. I do not want any system that refers the local needs to the clerks of an institution from 100 miles to 3,000 miles away."

EXAMINATIONS AND REPORTS

From Arkansas: "The examination feature is satisfactory. The reports are not. I think the Comptroller should require a duplicate copy of all reports sent to the State Commissioner and that he should not require any other reports at any time. If the State Commissioner does not do his work in a competent manner, the Comptroller should have the privilege of making his own examination. Under these circumstances, if the bank objects it should not be allowed to remain in the Federal Reserve Association. Referring back to the reports—state banks have a large number of reports to make up at the present time. They will hesitate to take on any more; it is not the supervision and the giving of information to which they object, it is the work connected with getting up so many reports. This feature must be handled carefully if it is to be made attractive to state banks."

IN UNION THERE IS STRENGTH

From Minnesota: "It must be admitted that the banking situation, as it now exists in the United States, where there are as many banking systems, you might say, as there are states, none of the state systems are equipped to assist their members in times of pressure, and the fact that a great part of the banks of our country, both in number and resources, are state banks not members of the Federal system, is not the most desirable condition for our country to be in should it be visited with war or business depression. We therefore believe it the duty, not only of every state bank to join, and thereby to do its part towards building up one great strong efficient banking system in our country, but also to provide depositors with every facility possible, to secure for their service and protection, which the Federal reserve system affords."

NO COMPETITION

From Washington: "We do not believe that there should be any competition between the Federal reserve banks and other banks. That the law

does not contemplate such a thing, and that the activities of banks along competitive lines has been in violation of the principle of the Federal Reserve Act, and in the interest of better earnings for the Federal reserve banks. For this reason, we do not believe that the Federal reserve banks should pay interest on deposits, and should not enter, nor be forced to enter, the open banking field in competition with their own members for business such as the purchase of bills of exchange and other discounts."

IT CAN'T BE DONE

From Georgia: "There is one feature the national bank examiner requests which most state banks cannot conform to. They request that we give a separate list of specie, national bank notes, Federal reserve notes and silver certificates, etc. Few state banks keep a permanent list of these in their separate denominations. We may be wrong in our opinion of this feature but have been asked for these reports several times by the Comptroller of the Currency."

WOULD CONSIDER JOINING

From Texas: "Have the Federal reserve banks cut out their clearance system with member banks as recently inaugurated by some of them and go back to the original purpose for which they were originally established—to give the banks of the country a good strong head. Cutting out the clearance system will look good to us and we feel quite sure that we would consider raising our capital to $25,000, and becoming a member of the association."

A RESERVE SYSTEM WANTED

From Minnesota: "I believe that Federal reserve banks should not compete with commercial banks in reserve centers. The Federal reserve system should be behind the banks not hitched ahead of them. The desire to 'make 'em pay' has given rise to great doubt in the minds of many country bankers as to the future of independent banking. The reserve system should be what its name implies —a reserve system to be on hand in times of need. Reserves loaned are no longer reserves."

PAY AS YOU GO

From Arkansas: "Pay no interest on balances and do as little investing as possible—just enough to cover expense of Reserve bank and pay the small dividend on its capital stock. This would give member banks a broad loaning field and then the member banks, after using their funds, could rediscount with the reserve bank in order to take care of the demand. If the reserve banks keep very much money invested, they will then be operating in competition with other banks. In other words, if they pay interest on balances they will be forced to operate in competition with other banks."

REPRESENTATION

From New Jersey: "Certainly membership for state banks will never be attractive until banks are represented in the Federal Reserve Board and political control is abolished."

WHY NOT NATIONALIZE?

From North Dakota: "We do not consider that the regulations of the Federal reserve system governing the supervision and examination of state bank members are satisfactory. Too much is left to discretion. We believe that the Federal reserve system is destined, when properly amended, to be of great benefit. When that time comes, why not all state banks nationalize? We do not believe in dual control. To make the plan workable, all should be members under the same system and subject to the same system and subject to the same regulations."

SIMPLIFY EXAMINATIONS

From North Dakota: "Unless some arrangement is made with the state banking departments, the state banks would be subject to continual examinations, and would be obliged to pay the expenses of such unnecessary examinations, not to mention the extra work and annoyances of such unnecessary examinations. Either the reserve board examinations or the state banking department examinations should be dispensed with, and the examiner making the examination make his report in duplicate, one to the reserve board and one to the state banking department."

INTEREST ON BALANCES

From North Dakota: "We think that it would be right and proper for Federal reserve banks to pay interest on the balances of member banks. As we understand it the Federal reserve system is not intended primarily to be an institution of profit, but a safeguard. As far as profits go, the interests of the Regional bank and its stockholders (the member banks) are mutual."

BURDENSOME REPORTS

From Indiana: "We are compelled to make quite a long and comprehensive report to our state department and bear the expense of the publication of the same. We see no reason for requiring us to make another report, with publication of same, as it is quite a task to make out these reports. Were they similar, then it would not be so bad, but they are so dissimilar that it is equal to making two entirely and separate reports. Bankers, as a rule, are busy people. We are at least."

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

FIRST VICE-PRESIDENT
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

SECRETARY-TREASURER
W. A. PHILPOTT, JR., Secretary Texas Bankers Association, Dallas, Tex.

FLORIDA BANKERS MEET

In attendance of members and interest in the business program, the twenty-fourth annual convention of the Florida Bankers Association at St. Augustine, April 6 and 7, outclassed all previous meetings. The actual constructive work discussed and undertaken has never been exceeded. While financial matters occupied an important place, agricultural preparedness seemed to be the keynote of the meeting. The bankers pledged themselves to lend every assistance to the farmers and stock raisers of the state to increase their acreage of food and forage crops.

The list of speakers included Governor Wellborn of the Federal Reserve Bank of Atlanta; M. J. Dowling of Olivia, Minn.; W. A. Blount of Pensacola, and H. B. Minium, Armour superintendent for Florida.

The annual banquet was held at the Hotel Alcazar at which State Senator W. A. McWilliams acted as toastmaster. There was a program of splendid speakers who covered many of the live issues of the day. Toasts were given by Dr. Lincoln Hully, president of the Stetson University, and E. G. McWilliam of the Guaranty Trust Company of New York, whose subject was: "Bank Boys—One of the Vital Necessities of the Banking Business." Informal talks were made by R. A. Purdy of the Hudson Trust Company, New York City; A. P. Anthony of the Peoples Bank, Jacksonville; W. D. Manly of the Bankers Trust Company, Atlanta; John T. Dismukes of the First National Bank, St. Augustine; J. P. Roach of the American Exchange National Bank, New York City, and P. J. Ebbott of New York. The entertainment features were most attractive.

The election of officers resulted as follows: President, Dr. Lincoln Hully, president John B. Stetson University, De Land; vice-presidents, Forrest Lake, Sanford; G. G. Ware, Leesburg; G. B. Lamar, St. Augustine; E. L. Wirt, Bartow; R. W. Goodhart, Pensacola; secretary-treasurer, George R. De Saussure, vice-president Barnett National Bank, Jacksonville, (re-elected).

The elections made at a meeting held by the Florida members of the American Bankers Association are as follows: Member Executive Council, John T. Dismukes, president First National Bank, St. Augustine; vice-president for Florida, E. R. Malone, president American National Bank, Pensacola; member Nominating Committee, S. A. Wood, president Volusia County Bank, DeLand; alternate, C. A. Faircloth, president National City Bank, Tampa. Following are the vice-presidents chosen for the Sections: Trust Company Section, H. G. Aird, director Guaranty Trust & Savings Bank, Jacksonville; Savings Bank Section, C. M. Terrell, treasurer Miami Savings Bank, Miami; National Bank Section, F. P. Forster, vice-president First National Bank, Sanford; State Bank Section, George E. Nolan, cashier Orlando Bank & Trust Company, Orlando.

The 1918 convention will be held at Tampa.

BOAT TRIP ABANDONED

"In view of the war and the universal demand for economy, in which banks and bankers should take the lead," the executive committee of the Michigan Bankers Association has decided to abandon the boat trip and entertainment at Menominee, contemplated in connection with this year's convention. Instead, there will be a business convention at Detroit, June 19 and 20, with special entertainment eliminated.

WALKER SCOTT MOVES UP

Walker Scott, secretary of the Virginia Bankers Association and cashier of the Planters Bank of Farmville, has been appointed vice-president of the Virginia Trust Company of Richmond.

NEW GROUP ESTABLISHED

The California Bankers Association has organized a new group to be known as Group Three. It will comprise banks in six counties. The organization meeting was held at San Jose, March 17, and a constitution was adopted. A banquet was held at the Vendome Hotel, at which E. A. Brown of Sacramento and H. S. Fletcher of Watsonville were the speakers. The election of officers resulted as follows: President, C. F. Hamsher, cashier First National Bank, Los Gatos; first vice-president, L. P. Behrens,

cashier First National Bank, Redwood City; second vice-president, C. A. Palmtag, cashier Pajaro National Bank, Watsonville; secretary, A. B. Post, cashier Garden City Bank & Trust Company, San Jose; treasurer, C. H. Wagner, cashier First National Bank, Hollister.

JOINT CONVENTION

The New England Bankers Association will hold a joint meeting at Narragansett Pier, June 22 and 23. The various state associations comprising this association will hold their separate meetings at this time for the purpose of electing officers and for the transaction of routine business.

ALASKA MAY ORGANIZE

Prospects for the formation of an Alaska Bankers Association are said to be excellent, according to a despatch to the *Business Chronicle* of Seattle, Wash. Banks along the coast, it is said, have already signified their desire to form an organization and immediate action only waits on the decision of the interior banks. Should such an association eventuate, it will bring Alaska into the fold of state and territorial associations as the fiftieth of its kind. There are now forty-nine state bankers' associations, inclusive of the District of Columbia and all are affiliated with the American Bankers Association through the State Secretaries Section.

The purposes of the proposed Alaska Bankers Association are declared to be: To secure uniformity of action among its members, to better personal acquaintances, promote discussion of subjects of importance to banking and commercial interests of Alaska, secure proper consideration of questions regarding financial and commercial usuages, customs and laws which affect banking interests, and for protection against loss through crime.

The Alaska banks which are fathering the new association are practically all members of the American Bankers Association and the successful termination of their efforts will undoubtedly go far toward making the great northwest territory more of a working factor in the Association.

CONVENTION CALENDAR

May	2-4	Georgia	Columbus
May	7-8-9	Spring Meeting, Executive Council, A. B. A.	Briarcliff Manor, N. Y.
May	10-11	Oklahoma	Muskogee
May	10-12	Alabama	Mobile
May	11-12	New Jersey	Atlantic City
May	15-16	Tennessee	Chattanooga
May	15-17	Texas	El Paso
May	17-19	California	Sacramento
May	22-23	Missouri	St. Joseph
May	22-23	Mississippi	Greenville
May	22-24	Idaho	Boise
May	23-24	Maryland	Atlantic City, N. J.
May	24-25	Kansas	Topeka
June	7-8	Pennsylvania	Bedford Springs
June	8-9	Oregon	Marshfield
June	13-14	Colorado	Glenwood Springs
June	14-15	Iowa	Des Moines
June	14-16	Washington	Spokane
June	19-20	Michigan	Detroit
June	19-21	North Carolina	Wrightsville Beach
June	20-21	Minnesota	St. Paul
June	21-22	New York	Lake Placid
June	21-23	Virginia	Old Point Comfort
June	22-23	New England	Narragansett Pier
June	23	Massachusetts	Narragansett Pier
June	23	Rhode Island	Narragansett Pier
June	24-25	New Hampshire	Narragansett Pier
June	26-27	Wisconsin	Milwaukee
June	27-28	South Dakota	Huron
June	27-29	South Carolina	Clemson College
June	—	Wyoming	—
July	10-11	North Dakota	Fargo
July	27-28	Montana	Great Falls
Sept.	6	Delaware	—
Sept.	11-13	Farm Mortgage	Minneapolis, Minn.
Sept.	11-13	Ohio	Columbus
Sept.	12-14	Amer. Inst. of Bkg.	Denver, Colo.
Sept.	18-20	Illinois	Quincy
Sept.	20-21	West Virginia	White Sulphur Spgs.
Sept.	24-29	American Bankers Association,	Atlantic City, N. J.
Oct.	3-4	Kentucky	Louisville
Oct.	24-25	Indiana	Indianapolis
Nov.	9-10	Arizona	Tucson
—		Investment Bankers	Baltimore

FOR UNIFORM WAREHOUSE RECEIPTS

Inasmuch as warehouse receipts are widely used as collateral for loans, and some standardization of forms appears to be desirable, the American Bankers Association has taken up the matter by appointing a committee to study the subject. This committee, which was named recently by the Administrative Committee, consists of W. H. Burks, cashier Security State Bank of Wellington, Kan., chairman; A. S. Beymer, vice-president and cashier Keystone National Bank, Pittsburgh, Pa., and Gordon L. Groover, vice-president Citizens and Southern Bank, Savannah, Ga.

Uniformity of credit statements has also been engaging the attention of the Association for some time past, and the Committee on Credit Forms, which has this work in charge, is expected to submit a report at the spring meeting of the Executive Council.

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN from March 26 to April 25, 1917, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members:

ARKANSAS

Gurdon—James G. Clark, formerly vice-president Clark County Bank, now president, succeeding the late Dr. J. H. Cuffman.

CALIFORNIA

Anaheim—Wm. A. Dolan, formerly cashier State Bank, Indianola, Neb., now president Anaheim National Bank, succeeding F. C. Krause, resigned.

San Francisco—John Clausen, formerly manager foreign exchange department, now vice-president.

ILLINOIS

Canton—G. W. Smith, formerly assistant cashier First National Bank, now cashier.

IOWA

Emmetsburg—E. B. Soper, Jr., formerly vice-president First National Bank, now president, succeeding his father, the late E. B. Soper.

KANSAS

Lawrence—George L. Kreeck, formerly vice-president Farmers State & Savings Bank, now president, succeeding the late Lewis Kreeck.

KENTUCKY

Louisville—Hugh P. Colville, formerly president German National Bank, Covington, now vice-president Citizens National Bank, Louisville. Frank I. Dugan, formerly assistant cashier Citizens National Bank, now cashier.

MASSACHUSETTS

Boston—Robert Sturgis Potter, formerly assistand cashier National Shawmut Bank, now vice-president.

MISSOURI

St. Louis—J. P. Bergs, formerly assistant cashier Merchants Laclede National Bank, now cashier.

MONTANA

Lewistown—James E. Woodard, formerly cashier Bank of Fergus County, now president.

NORTH DAKOTA

Finley—B. J. Long, formerly cashier State Bank of Finley, now president, succeeding E. G. Quamme, resigned.

OHIO

Akron—Charles S. Marvel, formerly assistant cashier First-Second National Bank, now cashier.

OKLAHOMA

Tulsa—L. W. Baxter, formerly cashier American National Bank, now vice-president.

PENNSYLVANIA

Clintonville—James A. Lawson, formerly cashier Peoples National Bank, now cashier First National Bank of Woodlawn. Mr. Lawson is succeeded by J. S. Forbes.

SOUTH DAKOTA

Mitchell—R. J. Harrison, formerly cashier First National Bank, now president.

Sioux Falls—J. B. Lambertson, formerly cashier Sioux Falls Savings Bank, now western representative of the National Bank of Commerce, New York City.

Sioux Falls—K. B. Cressey, formerly assistant cashier Sioux Falls Savings Bank, now cashier succeeding J. B. Lambertson.

TENNESSEE

Nashville—William Nelson, formerly vice-president Nashville Trust Company, now president, succeeding the late Jos. H. Thompson.

VIRGINIA

Petersburg—B. B. Jones, formerly cashier National Bank of Petersburg, now president.

Richmond—Walker Scott, formerly cashier Planters Bank, Farmville, now vice-president Virginia Trust Co., Richmond.

WASHINGTON

Seattle—R. S. Walker, formerly assistant cashier National Bank of Commerce, now cashier.

WISCONSIN.

Prescott—George H. Hollister, formerly vice-president First National Bank, now president, succeeding the late Daniel J. Dill.

GORDON JONES

Gordon Jones, president of the United States National Bank of Denver, Colo., died April 14 at the age of fifty-two. Mr. Jones was a member of the Executive Council of the American Bankers Association from 1910 to 1913, inclusive, and served on the Committee on Constitutional Revision in 1912. He also served with distinction on the American Commission for the Study of Agricultural Credits in Europe.

W. H. BUCHOLZ

W. H. Bucholz, vice-president of the Omaha National Bank, Omaha, Neb., died at his home in that city Sunday, April 22. He was well known and popular at A. B. A. conventions and ended his term on the Executive Council in 1915, serving on the Committee on Federal Legislation. At the time of his death he was a member of the special Committee of Twenty-five appointed to secure a solution of the par collection problem. He was also on the Executive Committee of the National Bank Section.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED FROM MARCH 26 TO APRIL 25, 1917.

Adams, John Q., vice-president Citizens State and Savings Bank, Murphysboro, Ill.
Benton, George W., cashier Bankers Trust Company, New York, N. Y.
Berri, William, vice-president Hamilton Trust Company and director National City Bank, Brooklyn, N. Y.
Black, William A., president First National Bank, West Point, Neb.
Bucholz, W. H., vice-president Omaha National Bank, Omaha, Neb.
Coleman, M. L., president Bank of Aurora, Aurora, Mo.
Cooch, J. Wilkins, president Farmers Trust Company, Newark, Del.
Cuffman, J. H., president Clark County Bank, Gurdon, Ark.
Edwards, Rowland J., director Citizens National Bank, Emporia, and president and director First National Bank, Eureka, Kan.
Goff, James R., vice-president First National Bank, Columbus, Wis.
Greene, Joseph Warren, trustee South Brooklyn Savings Institution, Brooklyn, N. Y.
Hathaway, O. W., cashier Citizens Bank, Sheldon, Ill.
Hills, L. Dwight, president and director First National Bank, Amherst, Mass.
Huber, E. A., assistant secretary Citizens Savings Bank, New York, N. Y.
Jones, Gordon, president United States National Bank, Denver, Colo.
Knoph, Aden, president First National Bank, Olney, Ill.
Kreeck, Lewis, president Farmers State and Savings Bank, Lawrence, Kan.
McCormick, William W., president Farmers Bank, Emden, Ill.
Mason, Edward H., vice-president Newton Trust Company, Newton, Mass.
Nash, Harry C., secretary and treasurer State Trust Company, Plainfield, N. J.
Olmstead, Lamar, president Citizens National Bank, Appleton, Wis.
Perott, N. J., vice-president First National Bank, Pierce City, Mo.
Sargent, George Henry, vice-president and director Fidelity Trust Company, New York, N. Y.
Soper, E. B., president First National Bank, Emmetsburg, Iowa.
Stinchfield, A. W., president First State Bank, Rochester; First State Bank, Dover; vice-president State Institution for Savings, Minneapolis, Minn., and vice-president German-American State Bank, Balfour, N. Dak.
Stine, J. A., president First National Bank, Alva; First National Bank, Woodward; First National Bank, Wayboka; Bank of Ingersoll, Ingersoll, and Bank of Supply, Supply, Okla.
Thompson, Joseph H., president Nashville Trust Company, Nashville, Tenn.
Wheeler, Charles R., president First National Bank, Peoria, Ill.
Williams, Richard P., director Bank of Farmingdale, Farmingdale, N. Y.
Witherbee, Frank S., director Fulton Trust Company, New York, and Citizens National Bank, Port Henry, N. Y.

CIPHER CODE

The present Telegraphic Cipher Code of the Association became effective May 15, 1914. It is in the hands of all members, numbering over 16,600. It is particularly gratifying to observe that the Code is constantly used by this large membership and therefore has proved to be of real value.

To avoid any undue risk in acting on telegrams received by members in cipher, we particularly request that it be PRIVATELY KEPT and used only under the careful direction of officers of banks, members of firms or by a duly authorized person in the employ of a member. As an additional safeguard, especially in making payments of money, delivering or securing securities, returning notes, bills, etc., and in the further general use of the Code, particular attention is called to the printed instructions and information embodied therein and careful compliance is earnestly requested.

The Confidential Key relating to the test system, which was sent under special cover when the Code was forwarded, should not be kept with the Code; it is very important that it should be in a separate place.

Any member bank is likely to receive a message at any time, consequently all members should cooperate in the use of the A. B. A. Code.

These suggestions should be complied with for if by any chance a copy of our Code falls into wrong hands misuse might be made of it, and some member may suffer a serious financial loss.

Do not send open telegrams when transferring funds. It is a dangerous practice and offers opportunity for fraud that can be easily avoided. The Code should be used at all times.

REPRESENTED THE A. B. A.

President Peter W. Goebel appointed the following delegates to attend the twenty-second annual meeting of the American Academy of Political and Social Science on April 21 and 22 in Philadelphia: E. F. Shanbacker, president Fourth Street National Bank, Philadelphia, chairman; J. R. McAllister, president Franklin National Bank, Philadelphia, and A. A. Jackson, vice-president Girard Trust Company, Philadelphia.

REGISTRATION AT THE ASSOCIATION OFFICES

FROM MARCH 26 TO APRIL 25

Allendoerfer, C. W., vice-president First National Bank, Kansas City, Mo.
Baker, George H., president Bankers Cattle, Loan & F. & M. Co., Boston, Mass.
Benedict, C. B., president Bank of Attica, Attica, N. Y.
Benton, A., Marwick, Mitchell, Peat & Co., N. Y.
Blair, Frank W., president Union Trust Company, Detroit, Mich.
Blodgett, Frederick F., Detroit, Mich.
Bolling, Pohatan, Field, Richards & Co., New York.
Boyd, F. N., cashier Walkill National Bank, Walkill, N. Y.
Buckner, M. N., president New York Trust Company, New York City.
Burns, W. J., president The Wm. J. Burns International Detective Agency, New York City.
Case, J. H., vice-president Farmers Loan & Trust Company, New York City.
Charlouis, Jean I., New York City.
Clark, Zenas R., Bellingham State Bank, Bellingham, Minn.
Clement, John B., second vice-president and treasurer Central Trust Company, Camden, N. J.
Coster, Maurice, New York City.
Cutler, Ralph W., president Hartford Trust Company, Hartford, Conn.
Dreher, Harold, J., assistant cashier National City Bank, New York City.
Ellsworth, Fred. W., secretary Guaranty Trust Company, New York City.
Euchner, P. C., secretary Livingston County Trust Company, Geneseo, N. Y.
Everitt, J. D., president Orange National Bank, Orange, N. J.
Ford, Franklin, New York City.
Fries, F. H., president Wachovia Bank & Trust Company, Winston-Salem, N. C.
Fuller, Oliver C., president Wisconsin Trust Company, Milwaukee, Wis.
Gavitt, W. S., president Gavitt National Bank, Lyons, N. Y.
Gorby, John W., vice-president Central Manufacturing District Bank, Chicago, Ill.
Hart, Robert S., Larchmont, N. Y.
Heath, M. G., Campbell, Heath & Co., New York.
Hecht, R. S., vice-president Hibernia Bank & Trust Company, New Orleans, La.
Hemphill, A. J., chairman Guaranty Trust Company, New York City.
Henry, Wm. J., secretary New York State Bankers Association, New York City.
Heppenheimer, Wm. C., president Trust Company of New Jersey, Hoboken, N. J.
Herb. C. F., vice-president Mississippi Valley Trust Company, St. Louis, Mo.
Jackson, A. A., vice-president Girard Trust Company, Philadelphia, Pa.
Jackson, H. W., president Virginia Trust Company, Richmond, Va.
Joslyn, C. D., Pelham, N. Y.
Kemmerer, E. W., Princeton University, Princeton.
King, Willard V., pres. Columbia Trust Co., N. Y.
Krech, A. W., president Equitable Trust Co., N. Y.
Lewis, George E., assistant cashier Hanover National Bank, New York City.
McAdams, Thomas B., vice-president Merchants National Bank, Richmond, Va.
McCaleb, W. F., New York University, New York.
McCarter, Uzal H., president Fidelity Trust Company, Newark, N. J.
Maddox, Robert F., president Atlanta National Bank, Atlanta, Ga.
Mason, John H., vice-president Commercial Trust Company, Philadelphia, Pa.
Matthews, J. P., president Palmetto National Bank, Columbia, S. C.
Merrill, E. G., President Union Trust Co., N. Y.
Mills, C. B., vice-president Scandinavian-American National Bank, Minneapolis, Minn.
Mills, C. B., Jr., vice-president First National Bank, Hancock, Minn.
Mills, Miles M., Minneapolis, Minn.
Moore, G. G., cashier New England National Bank, Kansas City, Mo.
Munger, D. B., president First National Stores, Inc., New York City.
Murphy, G. M. P., vice-president Guaranty Trust Company, New York City.
Murphy, M. J., director Federal Reserve Bank, Philadelphia, Pa.
Nichols, Arthur D., president State Bank of Ransomville, Ransomville, N. Y.
Parker, Henry G., president National Bank of New Jersey, New Brunswick, N. J.
Persons, R. S., vice-president Bank of East Aurora, East Aurora, N. Y.
Pitner, Frank J., cashier First National Bank La Porte, Indiana.
Platten, John W., president United States Mortgage & Trust Company, New York City.
Prosser, Seward, pres. Bankers Trust Co., N. Y.
Roach, J. P., American Exchange Nat. Bk., N. Y.
Rossell, H. S., assistant cashier Merchants National Bank, Richmond, Va.
Ruffin, B. A., Richmond, Va., Secretary Insurance Committee, American Bankers Association.
Sands, Oliver J., president American National Bank, Richmond, Va.
Seaborg, J. A., New York City.
Skinner, A. J., president Commercial Trust Company, Springfield, Mass.
Smith, Solomon A., president The Northern Trust Company Bank, Chicago, Ill.
Sowter, E T., manager Thos. Cook & Son, N. Y.
Sprague, O. M. W., Harvard University, Cambridge, Mass.
Stanley, E. O., vice-president Title Guarantee & Trust Company, New York City.
Stewart, Charles L., treasurer Benjamin Franklin Savings Bank, Franklin, Mass.
Strong, S. Fred., treasurer Connecticut Savings Bank, New Haven, Conn.
Sutton, George M., chief inspector Post Office Department, Washington, D. C.
Tremain, A. W., treasurer American Bank & Trust Company, Bridgeport, Conn.
Tufts, John F., cashier Union Market National Bank, Watertown, Mass.
Walker, H. M., treasurer Equitable Trust Co., N. Y.
Whipple, Louise M., Hackettstown, N. J.
Wood, Arthur King, chairman Franklin Trust Company, New York City.
Woodruff, E., president Trust Company of Georgia, Atlanta, Ga.
Woodward, Geo. L., treasurer South Norwalk Savings Bank, South Norwalk, Conn.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

INSTITUTE INTERCHANGE

POST-GRADUATE WORK

At a meeting of the Institute Board of Regents, March 31, a more systematic post-graduate course of study was tentatively arranged. Subjects to be studied are the elements of economics, public finance, corporation finance, international exchange and accounting. Some of the necessary text-books will have to be prepared by the Institute itself, but the probabilities are that several suitable books will be written and published by others in the near future. It is not the policy of the Institute to create text-books merely for the purpose of publishing them.

The Board of Regents decided to recommend that post-graduate work during the coming year be centered upon the subject of economics. A syllabus will be prepared in more specific form than heretofore, so that post-graduate study of economics may be divided into lessons. The other subjects mentioned in the foregoing list will not be undertaken until next year.

As originally announced, the post-graduate work of the Institute is more than a mere supplementary form of education designed for chapter members. It is the response of the only systematic educational factor in the American banking world to the modern demand for a race of scientifically and professionally trained bankers.

The study of banking, like the study of law, medicine or engineering, consists of investigation and research into the natural or fundamental laws of economics, science and society and their effect upon human progress. Men and laws react upon each other, and the result is history. It will be observed, therefore, that the course of study prescribed consists largely of a study of financial history.

The intention is to have the student obtain a complete knowledge of the banking measures that have been tried in this and other countries—their effects on banking and the country in general and the reasons for their development or rejection. Having mastered this course the student will be prepared to take up the study and solution of present-day problems—that being the main object of the Post-Graduate Course.

DIGEST YOUR IDEAS

If you will digest your ideas before writing them, you can say in a hundred words what would otherwise take a thousand. A hundred persons will read a hundred words to one that will read a thousand.

DENVER CONVENTION PROGRAM

The Institute convention will be held at Denver on September 12, 13 and 14. Chairman Joseph J. Schroeder reports that the Program Committee is not as yet ready to submit final plans, but has a tentative program pretty well mapped out and invites consideration and suggestions from members.

The Annual Debate for the Institute championship and the Presidents' Conference are of course permanent features of all convention programs. Two subjects are under consideration for a sym-

posium and possibly both will appear on the program. They are Education and Foreign Trade.

It seems that it is pretty near time for another open and thorough discussion of the part that the Institute is to take in education. Not education in banking particularly, for the Institute has now attained a position in that field that is recognized as pre-eminent, but especially the general education that is needed and demanded by most if not all bank men, and that is being supplied by such various means and divergent methods in the various chapters. While such discussions have been a part of every Presidents' Conference they would be an effective part of the general program.

The importance of the topic of Foreign Trade need not be dilated upon. The subject has been entered into in many of the chapters during the past year, and by many members in other ways. It is already of vast importance to bankers and will steadily become more so.

The tension of the situation nationally has made it advisable to refrain as yet from attempting to gain the consent of any of the speakers being considered until conditions indicate that they can assure themselves (and us) of their ability to attend the meeting.

The Denver boys have not been backward in preparing entertainment features. They already contemplate a banquet for one evening, a monster meeting for another, an auto ride to the summit of Lookout Mountain, and a dance. A special program, covering the three days, for the ladies, is well under way.

ELEMENTARY STUDIES

The Institute has made arrangements to meet the increasing demand for education in elementary banking and grammar and rhetoric. The plan is to have books on "Elementary Banking" and "Business English" in size and typographical style similar to the standard books on "Banks and Banking," "Loans and Investments," "Commercial Law" and "Negotiable Instruments."

PRACTICAL PREPAREDNESS

At a recent meeting of New Orleans Chapter of the American Institute of Banking it was decided to take up the question of military preparedness in a practical way. The spirit of the meeting was explained in remarks by R. S. Hecht.

"War has been declared," said Mr. Hecht, "and every patriotic American—whether he be native born or naturalized—must realize that it is now his duty to do his bit to help his country in its hour of need. Whatever our feelings may have been about the international situation before February 1, and whatever may be our views on the war in general, we can now only say with Admiral Decatur: 'Our Country, may she ever be right, but right or wrong, our Country.' It is very well for us to decorate our houses with the American flag, wear our national colors in our buttonholes, and even hold meetings endorsing President Wilson's action, but the time is passed when anything worth while can be accomplished by that sort of patriotic demonstration. Any one can make an outward display of patriotism of this kind by the expenditure of a very few cents and by attending one or two patriotic meetings, but what we need now is action, and quick action at that.

"The American Institute of Banking—which counts among its members many thousand bankmen, from presidents down to messenger boys—has as its main object the education and training of bankers in banking and in times of peace that is and should be all the organization devotes its time to. But it is different now, for this is war time, and while our country still needs bankers, it also needs soldiers; it needs some of us right away, more of us later, and perhaps all of us before the war is over; for the fortunes of war are uncertain at best, and though it may seem today as if most of us would not be needed in actual service, it seems to me that the very least we can do for our country and for ourselves in a crisis like the present one, is to devote a few hours a week to some sort of military training, so that we could at least defend ourselves and our homes in case of need.

"Such a contingency may seem remote at this time, but let us not permit ourselves to be lulled into a feeling of safety just because our principal enemy is several thousand miles away from us, nor should we go on the assumption that the war is likely to be a short one, much as we may hope such to be the case, and above all, we should bear in mind that we may have enemies much nearer to home than Germany, so that our city and our homes may not be as secure as we think. What I want to propose, therefore, is that those of us who are willing—and it goes without saying that personally I expect to practice what I preach—organize ourselves into a sort of civilian camp or voluntary military training class, to meet several times a week in the afternoon, for the purpose of learning at least the rudiments of military service, under the guidance of a United States officer, if it is possible for the Government to put such a man at our disposal.

The suggestion of Mr. Hecht was unanimously endorsed.

POST-GRADUATE THESES

The subjects of Post-Graduate Theses for 1917 are as follows: (1) The Gold Supply and the Federal Reserve Banks, (2) Trade and Bank Acceptances in Our Financial System, (3) War Finance and the Future of America's Financial Position, (4) Economic and Financial Changes Under the Rural

Credit Law. The conditions governing Post-Graduate Theses are as follows: (1)) Theses must be typewritten and five identical copies submitted to the Educational Director not later than June 1. In length these must be not less than 5,000 words nor more than 10,000 words. (2) Theses thus submitted must contain bibliological reference to books and authorities utilized in their preparation. (3) Theses must bear fictitious names that will conceal the identity of their authors. In a sealed envelope addressed to the Educational Director each author must give his real name in connection with the fictitious name signed to his thesis. The Board of Regents of the Institute will determine the relative merits of theses submitted.

NEW PAR OF EXCHANGE

In the course of a lecture delivered before the New York Chapter of the Forum of the American Institute of Banking, Srinivas R. Wagel stated that the par of exchange after the war in all countries will be different to that which prevailed before the great European conflagration. The gold point is now irrevocably gone, partly because of the uneven distribution of the yellow metal and partly because for a considerable period a free flow of gold is impossible.

The gold point was the natural corollary of the gold standard. When all the principal nations adopted it, the rate of exchange could not fluctuate beyond a point at which it became profitable to export or import gold. It was assumed as a postulate, that there should be no hindrance to the movement of gold. As a matter of fact, it was believed that gold had the inherent power to flow freely from one part of the world to another, as and when necessary, according to the exigencies of commerce. The developments of the three decades before the war were toward maintaining an even distribution of gold. Just as it was considered the best course for a banker to have neither too little nor too much of gold in his coffers, so also no nation was supposed to have a superfluity or a reduced quantity of gold. This even distribution was possible because of the control of London over the international money market—the British Empire having also the control of two-thirds of the world's production.

The war has brought about a radical change in the situation, but it is believed in many quarters that the close of the war will be the signal for a return to the old conditions. This argument ignores the several new factors that have obtained control of the situation. It is needless to explain that trade and currency have a very important influence on international exchange. Before the war, the sole factor that regulated trade was the normal economic law of supply and demand. The heavy war expenditure of the different European nations, and the need for economy in order to minimize the burden of war debts have already made it necessary to impose several restrictions on the course of trade. State control of manufacture, industry and commerce is inevitable in all the warring countries for at least a decade after the war. As far as is humanly possible, the law of supply and demand will be made to conform to the national financial requirements. This is a condition not contemplated by the gold standard as it previously existed. Apart from other factors, this alone will mean that the flow of gold will be regulated by the national exigencies.

Another important factor is the unusually large amounts of assignats or paper money which will circulate in the different European countries. Great as are the recuperative powers of the warring countries, it can hardly be stated that the retirement of this paper money will prove easy—especially as the long-term debts have also increased in an abnormal ratio. The increase in the paper currency again will necessitate the strictest control over the movements of gold; in fact, it will hardly be wise for all the Governments to let the gold move at all. Already, there is no circulation of gold money even in England. Any change in this direction is certainly impossible for a long period.

These two factors would exert a paramount influence on the new par of exchange. As our exchange rates are based on the assumption of settlement of trade balances in gold and free circulation of gold currency in all the countries, it is easy to see that we will have to work in future under different conditions. Different conditions must lead to different results, and one of the most important results is that the old par of exchange cannot be maintained. The fluctuations will be so violent that it may not be possible to hit at any par at all for several years after the war.

EDUCATION FOR RESPONSIBILITIES

"Back of the motors humming, back of the belts that sing, back of the hammers drumming, back of the cranes that swing; there is the eye that scans them, watching their stress and strain, there is the mind that plans them, back of the brawn—the brain."

The machinery of commerce and finance had their origin in brains. It takes brains to create them and it takes brains to run them. It is easy to do what you are told, to work by schedule; but to be the director or the manager it requires brains. Brains are developed when the body is growing. There are apparent exceptions to this, perhaps, but they are few. The man in the middle life who "starts all over again" is a rare being.

To have brains you have got to think, and to think means education. Moreover, the only kind of education that pays is where the process trains the man to think, which in its final analysis presupposes the recognition of responsibilities. Show me the

man who is responsible and will carry a job through to completion and I will show you a successful man, a thinker.

The young banker who conscientiously undertakes the study of banking problems, who trains himself with the help of the chapter is the man who can be depended upon to ultimately reach the positions of responsibility, influence and affluence. It is unfortunate, however, that discouragement comes so often. We impatiently wait from day to day, worrying, fretting and wondering when will the opportunity come. Like the fortune hunter in Tagore's masterpiece who tried to find the golden touch, and did not realize that he had the power, the golden touch, until it was too late to be of any use to him. He looked ahead too much; instead of making an inventory of himself and "in doing each day that goes by some little good, not in dreaming of great things to do by and by."

"The longer I live," said Buxton, "the more I am certain that the great difference between men, between the great and the insignificant is energy, invincible determination, an honest purpose once fixed, then death or victory." It measures the $20,000 man and the $1,000 man. It spans the distance between poverty, mediocrity and success.

In the work of education it is necessary to cultivate decision of character. The element of indecision naturally surrounds itself by many other undesirable elements that make for failure and disgrace.

"What you can do, or dream you can, begin it,
Boldness has genius, power and magic in it."

In such a way resolutions grow and your education for future responsibilities will result in real success and achievement.

INSTITUTE MEN AND THE COUNTRY

Sacrifice is akin to war, which measures the man and produces character. If the great war continues there will be plenty of opportunity for a man to show his true colors. The inspiration from the sacrifice a young man makes in times of great national peril indelibly makes its impress upon the warp and woof of his future life.

As boys we watched the soldiers of '61 march to their solemn exercises on Decoration Day; with intensity of interest we listened to the tales the old veteran told; of his comradeship in arms; of deprivations and suffering; of struggles and advances; and how insignificant in comparison were the sacrifices for progress he made in his climb up "after the war." When you drink the cup full to the brim, the fight of life does not become such a tedious grind. We seem to get a better appreciation of values, a wider vision of life. Such is the view in perspective of many of our lives as the result of the great war.

There are many of the rank and file of the American Institute of Banking who will do their "bit." Out of a membership of 22,000 or more there will doubtless be a host of volunteers who will enter the fray. Others to the measure of their capacity will answer the call of their duty to the nation.

The writer recently asked a Canadian banker the question, "How did the bank clerks of Canada respond to the summons of their country?" His answer was, "To a man." Many went, many remained. Nevertheless "to a man" they responded, and "to a man" they would have gone. Not alone on account of their manifest duty to go, but because they were first PATRIOTS, and were willing to sacrifice to the limit for the good of their country. This spirit won many of the great battles on the front in France where "the Canadians" have figured so prominently.

The bank clerks of this country are made of similar stuff and are capable of the same sacrifice and courage. Particularly is this true of the Institute man when he is called to the duty of serving his country; he will be ready and willing, because he is first a Patriot!

PENSIONS AS GOOD BUSINESS

The Fidelity Trust Company of Kansas City has adopted a pension system that is exceptionally liberal in its provisions. It is the work of H. C. Flower, president of the company. Men in the service may retire under pension at sixty, and must retire at sixty-five; women may at fifty, and must at fifty-five. From the time of voluntary or enforced retirement, an employee will be pensioned throughout the rest of life. The amount of pension is determined as follows: 2 per cent. of the average salary for three years immediately preceding retirement is multiplied by the number of years of service in the company, the maximum to be not more than 50 per cent. of the annual salary. The pension will be paid even if the employee engages in work after retirement, provided the position assumed is not such as to reflect upon the good name of the Fidelity or is not otherwise undesirable in the judgment of the board of directors.

"This is emphatically not a charity," Mr. Flower said. "It is plain common sense business, as I see it, and as I have persuaded my directors to see it. It will increase the efficiency of our staff. It will be a great incentive to men at the age of forty to sixty to remain with us—and I take it that is the most efficient age in banking. It will make for contented employees. The bank itself furnishes the money to pay these pensions. There is no system of taxation, reservation of part of the salary, or any such stipulation. Employees do not contribute a penny to the pension fund. It is in part a means of automatically removing men who have reached the age at which they might begin to be less efficient."

INSTITUTE CHAPTERGRAMS

REPORT OF COUNCILMAN HECHT

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Atlanta	140	Loans and Investments	Final examinations to be held this month.
Birmingham	79 — 12	Commercial Law Negotiable Instruments	Planning for baseball team in city league.
Chattanooga	99 — 7	Banks and Banking Loans and Investments	Final examination to be held this month. Public affairs committee active.
Jacksonville	43	Loans and Investments	Annual banquet.
Macon	31	Loans and Investments	Expect fifteen to take final examination.
Mobile	32	Banks and Banking Loans and Investments	Activities confined to study course.
Nashville	122	Banks and Banking	A class is also conducted in public speaking.
New Orleans	269 — 2	Banks and Banking Loans and Investments	A class is also conducted in elementary banking. Inaugurated plan for civilian training camp for Inst. members.
Savannah	31	Commercial Law Negotiable Instruments	Completed law course and now preparing for final examinations.

REPORT OF COUNCILMAN BALL

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Little Rock	120	Loans and Investments	Public affairs committee active.
Louisville	23	Banks and Banking	Planning supplementary course.
Memphis	110	Commercial Law	Activities confined to study course.
St. Louis	488 — 18	Banks and Banking Commercial Law	Classes also conducted in public speaking, foreign exchange and junior work.

REPORT OF COUNCILMAN CHENEY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Denver	144	Commercial Law	Classes are also conducted in Practical Banking and Spanish.
Des Moines	178	Commercial Law Negotiable Instruments	Debate with Omaha Chapter.
Kansas City	307	Banks and Banking Loans and Investments	Preparing for Spring examinations.
Omaha	104	Negotiable Instruments	A class is also conducted in public speaking. One open meeting.
Tulsa	100	Commercial Law	Activities confined to standard study course.

REPORT OF COUNCILMAN BECKLEY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Austin	33	Commercial Law	Special lectures and open meeting.
Dallas	124	Loans and Investments	A class is also conducted in public speaking.
El Paso	86	Loans and Investments	Activities confined to standard study course.
Fort Worth	70	Negotiable Instruments Banks and Banking Loans and Investments	About twenty members are drilling daily.
San Antonio	38	Banks and Banking Loans and Investments	Final examinations held April 13. Expect about twelve men to complete course.
Waco	50	Negotiable Instruments	Activities confined to standard study course.

REPORT OF COUNCILMAN NEWELL

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Fresno	126 — 4	Banks and Banking	Library being established. Baseball team organized.
Los Angeles	493	Banks and Banking	A Forum is also conducted. One open meeting.
Oakland	193 + 1	Banks and Banking	One open meeting, final examination held.
Sacramento	126	Banks and Banking Commercial Law	Educational work is temporarily overshadowed by the intense interest of the members in military matters.
Salt Lake City	148	Banks and Banking	Addresses at monthly meeting. Ladies night.
San Francisco	1166 + 1	Banks and Banking Commercial Law	Classes are also conducted in accounting, public speaking and Spanish. Trip through industrial plant.
Stockton	69	Banks and Banking	Work confined to standard study course.

REPORT OF COUNCILMAN DEVEREUX

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Baltimore	660 + 8	Banks and Banking	Class also conducted in accounting. Annual election.
Charleston	65	Loans and Investments	Preparing for final examination.
Columbia	52	Commercial Law	Chapter meeting.
Raleigh	26	Banks and Banking Commercial Law	Classes also conducted in elementary banking and public speaking. Annual election.
Richmond	267 + 5	Banks and Banking Commercial Law	Post-Graduate "Credit class" has been formed. A class in elementary banking is also conducted.
Washington	517 + 1	Banks and Banking	Post-Graduate class and junior work also conducted.

REPORT OF COUNCILMAN HEBRANK

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Cincinnati	278 + 1	Banks and Banking Commercial Law	Classes are also conducted in public speaking and elementary banking. Two open meetings.
Cleveland	551	Banks and Banking	One open meeting. Stag dinner. Bowling league.
Dayton	122 — 3	Banks and Banking Commercial Law	One open meeting. Basket ball.
Pittsburgh	1003 + 16	Commercial Law Negotiable Instruments	Classes are also conducted in corporation finance, accounting and foreign trade. Basket ball.
Toledo	158 + 8	Banks and Banking Commercial Law	Bowling. Basket ball.
Wheeling	75	Banks and Banking Commercial Law	Classes are also conducted in public speaking and debating. Visit to Bellaire, Ohio.

REPORT OF COUNCILMAN MACMICHAEL

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Duluth	40	None	A class is conducted in credits.
Great Falls	45 + 4	Loans and Investments	Arranging for lectures on "Grain" and "Stocks and Bonds."
Portland	357	Loans and Investments	Lecture on "Foreign Trade." Adding machine contest.
Seattle	271	Commercial Law Negotiable Instruments	A class is also conducted in public speaking. Three informal parties held at chapter rooms.
Spokane	66 — 9	Banks and Banking	Economic forum meets at the University Club.
Tacoma	85 + 1	Loans and Investments	Preparing for final examinations.
Grand Forks	27	Banks and Banking	Work confined to study course.

REPORT OF COUNCILMAN KANE

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Boston	695 + 3	Commercial Law	Classes are also conducted in Economics and Stock Transfers. Post-Graduate commercial tour.
Hartford	279 — 1	Loans and Investments	Post-Graduate class. Military training.
New Haven	203 — 2	Banks and Banking	Annual banquet. Banking class completed course.
Pittsfield	25	Commercial Law	
Providence	210 — 12	Banks and Banking	Classes are also conducted in English and letter-writing.
Springfield	38	Commercial Law	Report an inactive year.
Waterbury	86	None	Rifle club formed.
Worcester		None	Recently organized.

REPORT OF COUNCILMAN NICKERT

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Lancaster	74	None	Study class in Law to be organized in Fall.
Philadelphia	1557 + 91	Banks and Banking Negotiable Instruments	A class also conducted in Trust Companies. Public speaking contest. Trip to industrial plant.
Scranton	101 + 1	Loans and Investments	Annual election. Open meeting.
Wilkesbarre	23	Commercial Law	Final examinations to be held this month.

REPORT OF COUNCILMAN RATTRAY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Albany	236 + 17	Banks and Banking	Membership campaign continues.
Buffalo	185	Loans and Investments	Classes also conducted in elementary banking, business correspondence, Spanish, public speaking and debating.
New York	2263 — 26	Negotiable Instruments Banks and Banking	Classes also conducted in credits and loans, elementary banking business English, public speaking, debating, memory training, foreign trade, advanced accounting, mental arithmetic and Spanish. William F. Burns addressed open meeting.
Rochester	85	Banks and Banking	Classes also conducted in English and public speaking.
Syracuse	135 — 1	Banks and Banking Loans and Investments	Classes also conducted in commercial and industrial geography and public speaking.
Utica	118	Banks and Banking	Annual banquet. One open meeting.

REPORT OF COUNCILMAN RUBECAMP

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
Chicago	1154 + 18	Commercial Law Negotiable Instruments Banks and Banking Loans and Investments	Classes are also conducted in English and foreign trade. Open meeting.
Detroit	244	Loans and Investments	Class also conducted in public speaking and debate.
Grand Rapids	15	Commercial Law	Membership campaign.
Indianapolis	59 — 3	Banks and Banking	Chapter meeting.
Milwaukee	314 + 15	Negotiable Instruments Loans and Investments	"Loans and Investments" class consists mainly of graduates.
Minneapolis	457	Banks and Banking	Open meeting.
St. Paul	271	Loans and Investments Negotiable Instruments	Class is also conducted in public speaking.
Eau Claire	33	Commercial Law Negotiable Instruments.	Work confined to standard study course.

DENVER CONVENTION

The fifteenth annual convention of the American Institute of Banking will be held at Denver Wednesday, Thursday and Friday, September 12, 13 and 14. As many of the delegates will arrive Tuesday, a get-together meeting will be arranged for Tuesday evening. This will be very informal, but will give the delegates a chance to get acquainted with each other and renew old acquaintances.

WEDNESDAY—10.00 a. m.—Opening session of the convention. 2.00 p. m.—First business session of the convention, followed by an automobile trip around the city. The ladies will be entertained in the afternoon by an automobile trip to a large country estate near Denver, where an informal reception will be held. They will return in time to meet the men for an informal entertainment at the Brown Palace Hotel, which will be held following the evening session of the convention, at which the annual debate will probably take place.

THURSDAY—10.00 a. m. and 2.00 p. m.—Regular sessions of the convention. The ladies will be entertained at luncheon in the tea-rooms of one of the department stores. At 7.00 p. m. the annual banquet will be held at El Jebel Temple, where a thousand guests can be seated. At the same hour the annual banquet of the ladies will take place in one of the principal hotels.

FRIDAY—10.00 a. m. and 1.00 p. m.—Final sessions of the convention. The afternoon session will close at 3.00 p. m. and all the delegates and the visitors will be taken by automobile over Lookout Mountain to Genesee Pass, where dinner will be served at 6.30. About 8.30 we will return to Denver, stopping at one of the country clubs for an informal dance. The trip to Lookout Mountain is one of the finest to be had in the United States and the return after dark will never be forgotten by those who are privileged to take the trip.

SATURDAY—On Saturday trips will be arranged at a nominal cost for those who desire to take them. These plans, of course, may have to be altered somewhat, but in the main the program will stand as outlined above.

MOUNTAIN ATTRACTIONS.—From all over the United States a constantly increasing army of tourists invade annually the scenic Rocky Mountain region. Each year hundreds are added to the list of visitors who visit the Colorado playgrounds to engage in mountain climbing, to play golf, hunt and fish, to motor over the many miles of good roads, to attend the numerous gatherings that convene, to study the charm and the beauty and the wonders that nature has wrought, and to enjoy the soothing influence of the turquoise sky with its incomparable climatic charm.

POINTS OF INTEREST.—Denver offers a special appeal to the convention-goer, for the reason that there are so many points of interest in close proximity, affording a delightful and pleasing diversion from attendance at the sessions of the particular convention which the visitor is here to attend. And the lure of numerous resort centers throughout the state has the tendency to prompt delegates to come early or to remain for a period ranging from a week to a month or more to enjoy these scenic attractions. It is impossible to "See America" without seeing Denver. It is the gateway to twelve national parks and thirty-two national monuments as well as numerous other scenic centers in the intermountain region and on the Pacific coast. Two of the great national parks are in Colorado—the Rocky Mountain National-Estes Park—and the Mesa Verde National Park, besides two national monuments, the Wheeler National Monument and the Colorado National Monument. All of the railroads and automobile roads that leads to the national playgrounds start from Denver. The Colorado capitol has become the great railway and motor highway center of the region west of the Missouri river. It is the starting place of those who would venture into the Rockies and beyond.

DENVER PARK SYSTEM.—Denver is not content to be a mere gateway through which the national playground travel surges. In order to give visitors their first taste of Rocky Mountain scenery before they start for any of the national parks, Denver has bought a mountain park system of its own, a system that will bear comparison with any of the government scenic preserves. While they contain no geysers, like the Yellowstone, and no glaciers, like Glacier National Park, they have a wild, primitive beauty of their own which makes a wonderful appeal. Within a few miles of Denver and traversed by an ideal automobile road it is of very easy access.

DENVER AS A CITY.—Denver itself is one of the most sightly cities in the world, commanding a view of more than 200 miles of the Rocky Mountains. In addition to the Rocky Mountain park system, containing two mountain peaks, automobile highways, and vast expanses of forests and mountain streams, thickly carpeted with wildflowers and well stocked with bison, elk, mountain sheep and other wild animals, there are numerous other points of interest. There are thirty-eight scenic trips to be taken in the immediate vicinity of Denver, by rail and automobile. Fourteen of these are one-day trips. The visitors can get a splendid idea of all the varied beauties of the Rockies merely by taking these one-day jaunts out of Denver.

TRIPS.—Among the wonderful trips to be taken by rail is the journey to the summit of the Continental Divide by the Moffat, the popular name for the Denver & Salt Lake railroad. In three hours from Denver on this railroad the traveler, in midsummer, is amid banks of perpetual snow. Other

exceptionally fine railroad trips are up Platte Canyon, and around the Georgetown Loop. Every railroad in Colorado starts from Denver, and there is not a point of interest in the state that cannot be reached easily and comfortably by rail from the Capitol.

HOTELS.—Denver has an excellent transportation system, and hotels that are unsurpassed as to construction and service, furnishing accommodations in the downtown district alone for 50,000 visitors. It has a splendid union station, a new federal building, built of Colorado white marble at a cost of $250,000, and many of the finest office buildings in the West. It is the center of a rich mining and agricultural territory and has many manufactories and an immense jobbing trade. The "Seeing Denver" service, both by street car and automobile, is most efficient.

ROCKY MOUNTAIN PARK.—The creation of the Rocky Mountain National Park has done a lot to attract attention to the scenic attractions of Colorado. This region has long been a favorite place for tourists. Last year, the first year of its existence as a national park, 80,000 people visited the wonderful scenic center, making up a deficit in attendance at the other national parks in the country and furnishing an increase in the total number of visitors to all national parks, over the record-breaking attendance of 1915. Estes park, which skirts the new national park on the east, contains dozens of hotels and scores of mountain roads and trails that have for years appealed to the tourist. The state is building an automobile road from east to west, connecting Estes Park with Grand Lake, another established resort.

GOOD ROADS.—Denver plans to extend its mountain park system until ultimately 10,000 acres is included in this beautiful preserve, which is being visited by thousands of automobilists every season, and which is pronounced to be one of the most attractive features for motorists to be found in the Rocky Mountains. From Denver it is a matter of comparative ease for the motorist to reach Rocky Mountain National Park and Estes Park, only seventy-five miles from Denver. Long's Peak, the largest mountain in Rocky Mountain National Park, can be plainly seen from Denver's streets. Several roads lead from Denver into Estes Park from the east, one by way of Lyons and the Canyon of the St. Vrain, and the other by way of Loveland and the Big Thompson Canyon. Both of these roads are highly scenic. Another route is by way of Boulder and Allens' Park, taking one into Estes Park from the south and giving one an especially fine view of the main range of the Rockies. The Cache le Poudre road is being extended to Estes Park. When the Fall River road is completed across Rocky Mountain Park from Estes Park, automobile connection will be established with Grand Lake on the western slope of the Continental Divide. Grand Lake is the largest body of water in Colorado and is familiar to many tourists. It can now be reached by automobile from Denver by way of the Denver mountain park system, Idaho Springs, Berthoud Pass and Middle Park.

AUTOMOBILE LINES.—Estes Park and the Rocky Mountain National Park is reached from Denver by automobile (a four-hour drive) or by rail to Fort Collins, Loveland, Lyons, or Longmont and thence by automobile. These roads go through Big Thompson Canyon for ten miles, with walls of solid rock rising 2,000 feet on either side and the river flowing peacefully below. Many who have seen Big Thompson Canyon pronounce it more magnificent and beautiful than the Royal Gorge, which is a similar formation. Automobiles operating from Fort Collins, Loveland, Lyons and Longmont to Estes Park village transport free twenty pounds of baggage, with slight excess charge if more is carried. This applies also on the through automobile route from Denver.

EASTERN SPECIAL TRAIN

Arrangements for transportation of the Eastern delegates to the Denver Convention are reported as follows by George A. Jackson, Director of Transportation:

The New England, East New York State, New York City and Eastern Pennsylvania Chapters will arrange to assemble at Philadelphia on Saturday afternoon, September 8, at three o'clock. Here the delegates will be taken charge of by Philadelphia Chapter and taken for an automobile trip around the city. Philadelphia Chapter will also entertain Saturday evening, when the entire delegation will leave, via the Baltimore and Ohio railroad, for St. Louis. The "special train" will leave Baltimore at 7.00 a. m., Sunday, September 9, and leave Washington at 8.05 a. m. At Washington the delegates from Richmond and other Southern cities will join us. We will arrive at Cincinnati 11.40 p. m., Sunday, September 9, where the Pittsburgh, Cleveland and Louisville men will join us, arriving at St. Louis at 8.40 a. m., Monday, September 10. Here we will be joined by the Chicago and Milwaukee delegates, and be entertained until leaving time by St. Louis Chapter; leaving St. Louis at 4.30 p. m. via Chicago, Burlington and Quincy railroad, routing through St. Joseph, Missouri, where the Kansas City men will join us; arriving at Denver about 8.00 p. m., Tuesday, September 11. In purchasing tickets, tickets should read as destination, "Colorado Springs," as a one or two-day trip will be arranged after the convention. This side trip will include Pike's Peak, Crystal Park or Cripple Creek as the

delegates may select. Return routing from Colorado Springs and Denver may be made over any of the Western roads; but it will be necessary for delegates east of Chicago or St. Louis who go on the Eastern Special via Baltimore and Ohio railroad to route their return from either Chicago or St. Louis, via the Baltimore and Ohio railroad.

BALTIMORE CHAPTER

At our open meeting for April Baltimore Chapter was favored with one of the most attractive programs that we have enjoyed for some time. John Moody, of New York, favored us with a visit and spoke to us extensively upon the present financial outlook. Everybody is, of course, familiar with the unusual sagacity that Mr. Moody displays in all his judgments upon financial and economical matters; consequently we were more than pleased to hear his opinions. On the same occasion, Emory E. Niles very graphically described some of his experiences in the warring nations of Europe, in which he has participated for over a year in the service of the American Ambulance Society. Mr. Niles said among other things that the United States, to his mind, was about to undergo the same experience that England went through in her attempt to secure a great army and he urged us all to discourage the volunteer method of raising an army in place of the selective draft method. We are all of us firmly convinced that he is right and we wish to place Baltimore Chapter on record as favoring the selective draft system. The members of our chapter have shown the greatest amount of patriotism that could have been expected; many have already joined the colors, some have received commissions, and a great many of our boys are ready and waiting to come out just as soon as they are sure that their services will be needed. No slackers here. The class in "Banks and Banking" has completed its course of study and the annual examination has been held, some thirty men having taken the same. The result has not yet been announced but we shall no doubt have a goodly number of graduates to our credit. The class in accountancy has not yet finished its work, but will probably do so some time toward the end of May. We are still having an excellent attendance in this class, everybody is in earnest, and this class is going to prove one of the best investments that Baltimore Chapter has ever made. On April 19 we held our annual election, there being eight vacancies on the board of governors to be filled. A larger number of members came out to attend this election than has usually been the case and consequently the voting was quite spirited. However, several of the men whose terms expired were re-elected and a few new names were added; and we feel that all of them are men who have the interest of the chapter at heart.

GEORGE G. REQUARD.

KANSAS CITY CHAPTER

The Kansas City Chapter owes its success to the interest taken in the three study classes. It is noticed that the average attendance in the graduate class is the best. From a membership of forty-four the average attendance has been thirty. This class has been studying stocks and bonds, using as the principal reference book, "Principles of Bond Investments" by Chamberlain, and once a month study and discuss the opinions of the general counsel in the JOURNAL-BULLETIN. The "Banks and Banking" class average attendance has been reduced from eighty for the first few months to sixty at the present time, from a membership of 160. This class has been studying "Loans and Investments." The success of this class is due to the work of the instructor, H. B. Walker. About thirty-five are expected to take the examination and incidentally to try to secure one of the prizes offered for the best grades. The beginners practical class average attendance at the present time is only about fifteen out of a membership of thirty-five. It seems rather difficult to keep the younger members interested. The total membership of the chapter at the present time is 308. An interest is being taken in military affairs. A number of the bank clerks have organized drill companies to become better acquainted with military tactics. Capt. Chas. Edwards, in a recent address, gave the chapter members some good information regarding the different branches of military service, and urged that those who enlist should choose that part of the service to which they are best fitted.

L. A. MCMILLAN.

CHATTANOOGA CHAPTER

We are continuing to stress educational work, and are having a review in our classes on "Banks and Banking," and "Loans and Investments," getting ready for our examinations next month. We expect to graduate the largest class this year in our history. E. G. McWilliam, President of the Institute, addressed our chapter at our open meeting on April 16. Mr. McWilliam made a splendid address, stressing the importance and value of Institute work.

J. H. BROTBECK.

JACKSONVILLE CHAPTER

The annual banquet of Jacksonville Chapter was held on the evening of Thursday, April 5; and, with over one hundred and twenty bank men present, it proved the lodestone of the year. The affair had been planned earlier in the season than usual in order that we might have the pleasure of hearing an address by R. S. Hecht, vice-president of the Hibernia Bank & Trust Company of New Orleans, and member of the Executive Council of the American Institute of Banking. Mr. Hecht was de-

tained, however, on a business trip; and, while we were keenly disappointed that he was unable to come, we were very fortunate in having with us other speakers of great eloquence and wide renown. The banquet was held in the Indian Room of the Seminole Hotel. A highly satisfactory menu was served at 8 p. m., accompanied by a well-known orchestra, which succeeded to perfection in serving us with "music at our meals." C. B. Campbell, president of Jacksonville Chapter, acted as toastmaster, and called upon Frank P. Fleming, who spoke on the value of home study and the work of the local chapter in a very interesting and entertaining manner. Prominent among the visitors who honored us with their presence was E. G. McWilliam, President of the Institute, who delivered an inspiring address on the great work that the Institute is doing throughout the United States. We also had with us three other New York bankers, P. J. Ebbott, assistant cashier of the National Park Bank; J. P. McGuire of the Liberty National, and Kelley Graham of the Irving National. A male quartette, composed of J. M. Quincy, Howard Humphreys, W. Davies and Alex. Taylor, rendered several numbers which were received with enthusiasm; and the banquet was brought to a close with the singing of "America" by all present. J. E. Stephenson.

DENVER CHAPTER

Denver Chapter is just concluding the most successful year in its history, from an educational standpoint. Classes have been conducted in "Commercial Law," "Negotiable Instruments," Spanish, and Practical Banking. There has been a large enrollment in each of these classes and the interest and attendance have been all that could be desired. A membership campaign which has just closed resulted in an increase of more than 50 per cent. in our membership. The results were gratifying beyond our expectations. Nearly one hundred members attended the last chapter meeting, and listened to a very interesting illustrated lecture on "Forgeries and Check Raising." The various convention committees are working hard and we believe that all of the promises made at Cincinnati will be fully redeemed. Elsewhere in this issue will be found a tentative program of the entertainment features of the convention. R. M. Crane.

RALEIGH CHAPTER

The study class continues its work on "Loans and Investments" and is getting along nicely. On Wednesday evening, March 28, we had the unusual pleasure of having with us E. G. McWilliam, President of the Institute. He was entertained at an informal dinner given by the chapter at the Yarboro Hotel. We also had with us several of the officers and directors of the local banks who showed much interest. Mr. McWilliam explained the workings of the American Institute of Banking, very appropriately bringing in the committee on military affairs and the important part it is taking in the nation's activities at this time. He was heartily cheered by those present when he made the statement that heretofore some of us may not have agreed with President Wilson but that he was expressing the sentiment of 23,000 members of the American Institute of Banking when he said that we are now prepared to back the President to the limit and we are going to do it. We all enjoyed meeting Mr. McWilliam very much and are sincerely hoping that we may have the pleasure of having him with us again in the near future. The attendance of the class has increased materially since Mr. McWilliam's visit and we are very much encouraged. G. G. Sherwood.

PHILADELPHIA CHAPTER

The activities of Philadelphia Chapter are about drawing to a close for the season and the month of April has been a profitable one for us. Our membership contest closed on April 1 and the combined efforts of the four membership teams resulted in securing 410 new members. The educational classes have finished their work for this season and every indication points to a large number of Institute graduates. The educational work this year has been of a highly satisfactory character and much credit is due to the untiring efforts of W. W. Allen, Jr., chairman of the committee. On May 12 the annual dinner of the educational classes and consulate will be given, at which time announcement will be made of those who successfully passed the examination. On April 13 the regular chapter meeting was held and the speaker of the evening was Michael Dorizas, whose subject was "The Balkan Situation as a Background to the European War." Mr. Dorizas is a native of Greece and well qualified to discuss this subject, and gave a most interesting address, citing many of his personal experiences in that section. At this meeting nominations were made for members of the board of governors to fill the vacancies of the five members whose term expires this year. The sixty-three delegates to the national convention at Denver were also elected at this meeting. On April 20 our second annual public speaking contest was held and the many intelligent and well delivered addresses made, proves conclusively that Philadelphia Chapter is among the front rank in this branch of Institute endeavor. On May 4 our annual spring smoker will be given and an elaborate program is being arranged for a fitting close of the season's hard efforts. The many friends of executive councilman,

Wm. A. Nickert, will be pleased to learn of his well-merited promotion to the position of assistant cashier in his institution. His ability and the effort he has given to the Institute at large is well known and recognized, and Philadelphia Chapter is proud of him. O. STUART WHITE.

VALUE OF ACQUAINTANCES

Do not miss a chance to make an acquaintance. If it is a good one you will profit by substantial gain; if it is a bad one you will profit by experience.

RICHMOND CHAPTER

Richmond Chapter feels, in a way, that it is obligated to maintain a certain standard and prestige, which it has from the fact that it was here, that the "A. I. B." had its origin, and assuredly, we can be proud of the way we have adhered to our ideal of precedence in the last few years. We have, out of some three hundred and fifty men available, slightly over three hundred members. This percentage, to the best of the writer's knowledge, is not equalled by any other chapter. Of these members, thirty-three are certificate holders and this goodly portion will be augmented in the next two years by at least forty additional graduates, unless all signs fail. This season we have one hundred and two members actively attending one or more classes. The study course for this year consists of classes in "Elementary Banking," "Banks and Banking" and "Commercial Law"—the usual two-year course necessary to secure the A. I. B. certificate. The newly formed post-graduate "Credit Class" for certificate holders and a few senior bank men approved by the certificate holders, as eligible to join, hold meetings once a week. This class is addressed by some banker or, more often the case, some well-qualified business man, who lectures on some phase of credit in which he is a specialist. After the lecture it is customary for the speaker to sit down and, in a thoroughly comfortable, informal manner, answer whatever questions that may be asked by the class. This cross-questioning is truly the most enlightening and genuinely beneficial work which the chapter has ever undertaken. Some of the subjects discussed or to be discussed in this class are "The General Field of Credits," "Some Factors in the Analysis of the Moral Hazard," "Shoes, Groceries and Provisions," "Dry Goods," etc.

W. W. DILLARD.

OAKLAND CHAPTER

The class in Banking closed a very successful season with the final examinations given by Dr. Ira B. Cross on April 10. The average attendance for the course was fifty-two each lecture, which is the best record for sustained attendance in the history of Oakland Chapter. About thirty men took the examination, and when the results are known we expect to add not a few names to our list of certificate holders. Oakland Chapter will celebrate the anniversary of the battle of Lexington and Concord on April 19, with an open meeting at which Dr. David P. Barrows will discuss "Great Britain and Her Allies," a subject peculiarly appropriate at this time. Preparations are being made for the annual election which takes place May 8, and nominations for officers are already in. Our chapter members continue to be accorded promotions, the latest being Doremus P. Scudder, former secretary of the chapter, who was recently elected assistant cashier of the Security Bank. WILLIAM R. WARD.

GREAT FALLS CHAPTER

The work of the study class is progressing nicely under the direction of Gordon O. Shafer, president of the Shafer Investment Co. of this city. While the attendance is not the best, the enthusiasm shown by the "regulars" more than makes up for the lack of members. Larue Smith, deputy county attorney; E. A. Newlon, cashier of the Great Falls National Bank, and H. F. Lee, vice-president of the Commercial National Bank, have attended the last three meetings respectively, and given interesting talks pertaining to the subjects being studied. We note with pleasure that there is a great deal of interest displayed in the correspondence course of the Institute given under the direction of the University of Montana at Missoula. The last report states that nearly fifty have enrolled. At a dinner given by the local chapter the latter part of January, Prof. H. E. Smith of the University spoke upon this subject and formally announced that the work was to be given through the University with the support of the Montana Bankers Association and the American Institute of Banking. It is gratifying to the Montana Bankers Association particularly, through whose efforts the work was started, to see so many taking advantage of this opportunity. S. WILKINSON.

PORTLAND CHAPTER

Keen though it has been, the interest in "Military Preparedness" has not entirely taken the place of the educational work, though classes have been cut down virtually 10 per cent. in number, due to enlistments. Our chapter has taken the lead among other organizations of the city in organizing a drill corps. Col. U. G. McAlexander, U. S. A., addressed our members on "Preparedness" on March 27 and immediately afterwards the chapter officers recruited a company of 115 bank men who are now drilling in the National Guard armory under army officers. Portland Chapter men are prepared to take

up arms when the time comes, not as an organization but as individuals. The next important affair during the month was the inspection on March 24 of the giant shipbuilding plant of the Northwest Steel Company, 120 members taking part in the tour. They saw four 8,800-ton steel steamers under construction for the Cunard Line, one of which has since been launched. Shipbuilding is one of Portland's most important industries, there being vessels of the value of more than $20,000,000 either under construction or contracted for, giving employment to more than 5,000 men. Regular class work proceeding as usual; average attendance, seventy-five in Portland class. Eugene class number thirty and Salem class twenty-four; Albany class eleven.

E. C. SAMMONS.

BOSTON CHAPTER

Another A. I. B. year of accomplishment will soon have passed into history and retiring officers of Boston Chapter can look back without regret over a period of progress and be able to pass on to the newly elected standard bearers an organization strengthened and builded more surely for the future. The annual meeting will be held on the second Wednesday in May—May 9. On April 21 Boston members had a call from John W. Gorby, candidate for President of the National body A. I. B., who came to Boston in his tour of the country—that he may be seen—he has visited Pittsburgh, Philadelphia, New York and many other places and means to cover the country. This we believe is the first time that a candidate for President of the A. I. B. has toured the country prior to election.

As to military matters, members of Boston Chapter are keenly aware of their country's need and some are already in "active service" and the rest in other ways are doing their part.

THORNTON O. M. FAY.

TODAY AND TOMORROW

The Institute man of today will be the leader of tomorrow. He should persistently nurture and develop the field that will benefit him in the future. Conscientious study, determined effort and an honest purpose once fixed are the essential elements to work upon. There was once a Californian fruit grower who determined to cultivate a grove of fruit trees unequaled in quality and which would produce abundantly. For ten years he labored without profit, but always with expenditure of effort and money. He very nearly exhausted his financial resources in the nurturing of his grove. At the end of ten years the result appeared. His fruit gained for him a reputation. The seed was in demand. He became eminently successful as a fruit grower. So it is with the Institute man, and better still with the Institute graduate. He is relatively a beginner in banking and looks ahead to the time when he will be the leader of his institution. It behooves him to nurture his crop, to begin now, and persistently endeavor to understand international, national and local affairs. The Institute is the place for him to develop and expand. An interest in the Institute presupposes an interest in banking. He is a wise banker who realizes the value of an Institute certificate as the foundation of his banking career.

BUFFALO CHAPTER

Another season is drawing near its end, when studies will be dropped for the summer. Our class in Part I of the Institute study course has about completed the book on "Loans and Investments," and the attendance is keeping up satisfactorily. The class in business correspondence has finished its work, while the class in Spanish is progressing. When this chaptergram goes to press, our chapter forum will have completed its program for the season. At each meeting we have had a lecturer well posted on the topic under discussion, and these meetings have been extremely valuable. On February 1 we had the pleasure of again hearing H. C. Zwetsch, representative of A. B. Leach & Co., New York City, who spoke on the "Influences Affecting Securities, Prices and Values," touching on legislation, gold reserves and trade conditions. On March 1, William S. Rann, corporation counsel, Buffalo, N. Y., spoke on "Civil Loans," describing their validity, security and municipal assets and liabilities. March 8, Frank R. Moll, representative of Ford & Enos, Rochester, N. Y., spoke on the "New York Stock Exchange," telling of their practices and technical terms in connection therewith. This proved to be an extremely interesting talk. Walter J. Monro, of the Buffalo Trust Co., spoke before us on March 29, on "Bond Accounting," which, too, was of great educational value. Our debating team on Thursday evening, April 19, at Pittsburgh, debated with the team representing Pittsburgh Chapter on the following proposition: "That the Rural Credits Bill" passed at the last session of Congress, is for the best interests of the people. The decision was given to the Buffalo representatives, composed of Gordon Cleversly, Marine National Bank; Godfrey F. Berger, Jr., Lackawanna Trust Co., and James Rattray, Bank of Buffalo—James J. Keenan, Citizens Commercial Trust Co., as alternative. This was our first tryst with another chapter, and we feel rather proud in having gained a victory.

LOUIS WM. ENSLIN.

MACON CHAPTER

The class in "Loans and Investments" is now reviewing this year's work preparatory to taking the final examination in Banking which will be

held in the forepart of this month. We expect to have fifteen participate in the examination. We have confined our activities strictly to the study class. ARTHUR BRANAN.

THE ONLY INTEREST

Education is the only interest worthy the deep, controlling anxiety of the thoughtful man.
WENDELL PHILLIPS.

SEATTLE CHAPTER

Seattle Chapter held its annual election on April 19. H. A. Barton of the Seattle National Bank being elected president, J. L. Platt of the National Bank of Commerce vice-president, H. O. Grondahl of the State Bank of Seattle secretary, and E. B. Ansley of the National City Bank treasurer; B. N. L. Davis and J. C. Sloss were elected to the board of governors. These with D. L. Davis, retiring president, and G. A. Brown, L. L. Wold and F. W. Martin, present members of the board, comprise the officers and board of governors for the ensuing year. The tremendous growth of Seattle's industrial enterprises in the past year causing a large increase in local bank business has necessitated a great deal of overtime work on the part of the bank boys. Notwithstanding this the chapter has conducted very successful "Law" public speaking and foreign exchange classes, and in addition has had its usual number of social affairs.
J. L. PLATT.

THE PLAN

"Success does not come unasked—it must be wrought out by ambition plus preparation, plus work." BYRON W. WATKINS.

UTICA CHAPTER

The educational work was completed for the season at our last meeting. Professor Frederick W. Roman of Syracuse University was one of our speakers; he delivered a popular lecture on the European war. On April 17 our annual banquet was held in the Italian Room of Hotel Utica. Francis P. McGinty, who has just been elected president of the chapter, acted as toastmaster. The principal speaker was Rev. Milton Butler Pratt D. D., who selected for the subject of his address, "The Banker and His Constituency." Announcement was made of the appointment of a committee to enroll the bank men for national use in both the economic and military sense. The bankers' double quartette was a feature of the evening. GROVER C. CLARK.

OPPORTUNITY FOR SERVICE

Never miss an opportunity to serve men—young, middle age or old. The compensation comes sooner or later; but inevitably.

DES MOINES CHAPTER

Des Moines Chapter reports that the following named gentlemen represented them in a joint debate with Omaha Chapter held on April 27: G. A. Tumbleson, Iowa Loan & Trust Co.; Ray Lane, First National Bank of Indianola, and C. K. Hess, Home Savings Bank of Des Moines. The classes in "Commercial Law" and "Negotiable Instruments" are progressing satisfactorily.

UNDER FIRE

Spontaneous action is the test of character. Watch yourself, and see what you do when you are taken by surprise. —*Selected.*

SALT LAKE CHAPTER

During the month of April the "Banks and Banking" class held four meetings. At the regular monthly meeting the members listened to two very instructive talks; Frank B. Stevens speaking on "The Federal Farm Loan Act," and J. Percy Goodard of the University of Utah speaking on "Accounting." Our "Ladies night" was splendidly received and very much enjoyed.

EXPERIENCE

Experience teaches slowly, and at the cost of mistakes. FRONDE.

BIRMINGHAM CHAPTER

The "Commercial Law" and "Negotiable Instruments" classes are completing their work preparatory to taking the final examination. It is expected that this year will materially increase the number of graduates of the chapter. The annual banquet, which was to have been held on May 12, has been called off indefinitely. The reason being the disorganized condition of affairs among the local chapter members, occasioned by the government calling to the colors the members of the national guard and the reserve officers which, of course, necessitates their absence from the city most of the time.

INVESTMENTS

The investment that pays the highest dividends is the investment in men.

SAN ANTONIO CHAPTER

The "Banking" class has finished its study of "Loans and Investments" and on April 13 took the final examination. An unusual interest has been displayed by the members of this class and it is expected that about twelve, which has been the average attendance, will be successful in passing.

DUTY

Can man or woman choose duties? No more than they can choose their birthplace or their father or mother. GEORGE ELIOT.

PROVIDENCE CHAPTER

The class in "Banks and Banking" has satisfactorily completed its work for the season. The class in English and letter-writing has also been successful. Owing to the national crisis, it has been deemed wise to cancel the arrangements made for the annual banquet.

DETERMINATION

He only is a well-made man who has a good determination. EMERSON.

CLEVELAND CHAPTER

The most successful dinner which Cleveland Chapter has ever given was held on Tuesday evening, March 27, when over five hundred bankers attended this brilliant "stag" affair. After the sumptuous feast, we were treated to an evening of unusual entertainment in the form of speeches, the keynote of which was "Patriotism." Congressman Emerson of Ohio was the chief speaker. He dwelt at some length on the much discussed question of the hour "Universal Military Service." He appealed in strongest terms to the patriotism of every citizen, stating that no matter how we have stood politically heretofore, we must now stand behind our President; that we are either "for" or "against"; either patriots or traitors. Cleveland Chapter has had the pleasure more recently of hearing several very prominent military men address them on "Experiences on the Border." Among them were Lieut. Col. J. R. McQuigg, of the Ohio Engineers, and Capt. "Bob" Queisser, of the Fifth Regiment. We are glad to announce, together with our unprecedented growth in membership, a corresponding increase in numbers, and enthusiasm in our educational classes this past winter. We are now preparing for the "exam," and the annual election of officers to be held Tuesday evening, May 22. In connection with the annual election, a stag dinner is to be given, preparations for which are now under way, and promises to be the best ever. At the meeting of the chapter held Tuesday, April 24, our old time colleague, "Dave" Wills, addressed us on the topic "The Importance of a Banker in War Times." This meeting was in the form of a smoker, at which we also had the pleasure of an address by C. D. Friebolin, vice-president of the City Club, and referee in bankruptcy. H. W. HERRICK.

SAN FRANCISCO PROMOTIONS

San Francisco Chapter announces the following promotions in the Crocker National Bank: J. B. McCarger, assistant cashier, was made vice-president; Wellington Gregg, Jr., was given an additional title making him now vice-president and cashier; D. J. Murphy and F. G. Willis were made assistant cashiers. All are members of the Institute and it is a pleasure to announce these splendid promotions.

CHICAGO CHAPTER

Chicago Chapter's second general meeting in April was held on April 24 and was the annual ladies' night. A goodly number of the fair sex were present to enjoy the program, which included a patriotic address by Chas. N. Wheeler, a noted newspaper correspondent; a beautifully illustrated travelogue on Yellowstone Park, and several musical numbers. Mr. Wheeler represented the Chicago Tribune in Belgium after the outbreak of the war, and later returned to the United States and covered the campaign of Mr. Hughes, traveling with the party which accompanied the Presidential candidate upon his Western trip. Mr. Wheeler's intimate grasp of affairs, international, as well as national, make him well able to efficiently handle the theme of his recent lecture—namely, "Position of the United States in the World Conflict." All who heard his address—"The Common Cause," will agree with the foregoing statement. The travelogue was well rendered by Chas. Norton Hunt, and the exquisitely colored pictures gave us a longing for a vacation in the bosom of nature, away from the click of the typewriter and the staccato tones of the comptometer. The "Banks and Banking" class of Chicago Chapter was brought to a successful conclusion recently, the final test taking place on April 19. The majority of the class took the test and the indications are that the regular attendance and close application of most of the students will result in the attainment of a grade which will be a credit to themselves and a source of pride to the instructor and the chapter. Chicago Chapter trusts that you are not forgetting to boost Mr. Gorby in his race for the Institute presidency. We of his own chapter know that as Institute President he will not only bring honor to his native city, but also maintain the high standard of efficient service set by past presidents of the American Institute of Banking. The regular April general meeting of Chicago Chapter was held on the 10th at chapter headquarters. Professor R. E. Pettison Kline favored us with a brilliant address on "A Man's Thinking and His Society." A moving picture—"The Black Art," posed by the Vitagraph Players for the Todd Protectograph Company, followed. This program was especially well balanced,

for, while the lecture required hard thinking and dealt with fundamentals, the moving picture was easy to follow and somewhat elementary.

RALEIGH E. ROSS.

WILKES-BARRE CHAPTER

The class in "Commercial Law" is making good progress, and when the examination is held next month we expect to have at least eight men participate. Our activities, thus far, have been confined strictly to the Institute Standard study course, but we are hopeful of making progress in other directions in the very near future.

BUTLER O. BOWER.

LANCASTER CHAPTER

At a meeting of Lancaster Chapter, held April 20, a board of governors was elected from which the following chapter officers were chosen: President, P. F. Snyder, cashier Lititz Springs National Bank, Lititz, Pa.; vice-president, Ira H. Bare, cashier Fulton National Bank, Lancaster, Pa.; secretary, Warren S. Rehm, assistant treasurer Northern Trust and Savings Company, Lancaster, Pa.; treasurer, Walter A. Gilbert, cashier of the Christiana National Bank, Christiana, Pa. We expect to organize a class in the early fall to take up the study course in "Commercial Law" and "Negotiable Instruments."

WALTER A. GILBERT.

NICKERT

William A. Nickert, Institute graduate and member of the Institute Executive Council, has been appointed assistant cashier of the Eighth National Bank of Philadelphia. Nickert is like gold coin—not very bulky, but 100 per cent. efficient in action and 1,000 per cent. strong as reserve.

OMAHA CHAPTER

A splendid "get together" meeting was held on March 27 at which a large number of bank officers were present, the total attendance being 150. The meeting was addressed by E. R. Gurney of Freemont, Nebraska, and was the most successful, from every standpoint, that the chapter has ever held. The classes in "Negotiable Instruments" and "Public Speaking" are progressing satisfactorily.

FRESNO CHAPTER

Although one of the youngest chapters in the Institute, Fresno Chapter is accomplishing much. The interest shown by a number of the bank officials is very encouraging to those who have assumed the responsibility of conducting the work. The class in "Banks and Banking" have had two lectures by Dr. Cross and have held two informal meetings in addition. The efforts being put forth to establish a library are meeting with success. A baseball team has already been organized.

PHILADELPHIA PROMOTIONS

As a further testimonial to the value of Institute work two of the members of Philadelphia Chapter, Frederick Fairlamb and O. Stuart White, were appointed assistant cashiers of the Union National Bank.

NEW YORK CHAPTER

Our spring educational program is well on its way to completion and final examinations will be held during the last week in May. The number of students exceeded the registration for the fall term and as a natural result, exceeded any previous year in our history. All this attests the popularity and value of the courses and the wisdom of those arranging the educational work. Truly, education is the backbone of our institution. While acknowledging this unalterable fact, we have not been remiss in attending to the social instincts of man, recognizing the established truth that man is a social animal. On April 14 our entertainment committee gave a popular and informal dance at the Hotel McAlpin to our members and friends. The attendance exceeded that of any dance ever held by New York Chapter. The music was charming and inspiring, and every one went home with a feeling of deep satisfaction. On the evening of April 18 a most interesting meeting was held at Wanamaker's auditorium, at which Wm. J. Burns, of international fame, spoke on "The Modern Protection of Banks" in a manner that held our deepest attention. Interspersed throughout the address, were many illustrative anecdotes relating to the apprehension of criminals and their habits in general. Through the courtesy of the Todd Protectograph Company we were enabled to witness an exhibition of the moving picture, "A Modern Black Art." This has been shown to several chapters in other cities and has proved to be intensely instructive. We are indebted to the Wanamaker people for the use of their magnificent auditorium. The excellent rendition of several selections on the great organ by Alexander Russell added much charm to the meeting. Our debate section has been successful in arranging two meetings during May—one with Hartford Chapter at Hartford on Wednesday, May 9, and the other with Philadelphia Chapter at New York on Wednesday, May 23. The resolution for debate with Hartford is: "Resolved; that the U. S. shall so far depart from its traditional policy as to participate in a league to enforce peace at the end of the present war," Hartford supporting the affirmative and New York the negative side. With our neighbors from Philadelphia we debate the following: "Resolved; that the U. S. after the present war should so far depart from her traditional policies as to

participate in the organization of a league of powers to enforce peace," New York upholding the affirmative side and Philadelphia the negative. These two events are part of the elimination trials leading up to the final debate at the Denver convention. The nominating committee of New York Chapter has reported the following slate for next year: For president, A. F. Maxwell, assistant cashier, National Bank of Commerce; first vice-president, B. S. Miller, National Bank of Commerce; second vice-president, I. H. Meehan, Farmers Loan & Trust Co.; treasurer, L. H. Ohlrogge, National Park Bank; chief consul, F. M. Totton, Farmers Loan & Trust Co.; librarian, C. H. Mead, Bowery Savings Bank.

B. S. Miller, who has been with the Chemical National Bank for a numbers of years, left that institution on May 1 and became associated with the auditing staff of the National Bank of Commerce. Mr. Miller is an active and hearty supporter of New York Chapter, has been its chief consul, second vice-president, and this year has been nominated for first vice-president; in addition he is a member of the board of governors. George P. Kennedy, also well known throughout New York Chapter, has been appointed an assistant treasurer of the Guaranty Trust Co. We are gratified to note the increasing prominence which comes to those men associated with the Institute.

A. F. JOHNSON.

DES MOINES PROMOTIONS

The good work the Des Moines Chapter is doing in turning out bankers is evidenced by the fact that the Bankers Trust Company, a newly organized bank of that city, has chosen as its cashier C. H. Stephenson, formerly with the Iowa National Bank, and D. E. Alldredge, formerly with the Iowa Loan & Trust Company, as its assistant cashier. Both are hearty supporters of the Institute, the former being president of Des Moines Chapter for the year 1915-16. These young men are amply qualified to fill the positions they have taken and their many friends in the Institute wish them every success.

J. E. MORTON.

MAURICE FOR EXECUTIVE COUNCIL

At a meeting of Detroit Chapter, held at the Detroit Board of Commerce, April 19, on motion of Ernest Goodwin, seconded by A. J. Bosley, the following resolution as drafted by W. H. Farr, was read and unanimously adopted:

WHEREAS—Detroit Chapter members wish to show appreciation for the efforts and high executive ability attained during his administration and throughout his long official connection with Detroit Chapter, such as to convince our entire membership of his ability to fill this high position with credit, not only to Detroit Chapter but to the Institute at large, therefore be it

RESOLVED—That we members of Detroit Chapter place in nomination for membership on the Executive Council of the American Institute of Banking, Frank J. Maurice, and pledge our undivided support to do all in our power to secure his election at the 1917 Denver Convention.

It is not necessary to comment on the qualifications of Mr. Maurice, to Detroit Chapter, but to those who will be delegated from other chapters to select able men to continue the great work, as outlined by the American Institute of Banking. A few words to make them acquainted with some of his whole-hearted chapter work accomplishments will not be amiss. Besides being as good a president as Detroit Chapter has had (and we can boast of many), he must be given credit for holding our chapter together, some time back, both by his untiring efforts and his personal financial aid, until such time as he was able to get the Detroit Clearing House interested in us enough to help weather the storm. Mr. Maurice has been a chapter member from its first year; he is one of our first certificate holders, has been chairman of every important committee, has lead our classes in law, a speaker of no mean ability, as can be attested to by the number of his lectures on thrift, and due credit must be given him in procuring for Detroit Chapter, without expense, the use of the fine and commodious rooms at the Detroit Board of Commerce, where all of our classes and general meetings are held. Mr. Maurice is a member of the Detroit Board of Commerce and as a member of the Detroit branch bank managers association his activity is again seen.

W. H. FARR.

READING vs. STUDY

A multifarious reading may please, but it does not feed the mind. SMILES.

TOLEDO CHAPTER

The classes in "Banks and Banking" and "Commercial Law" are now preparing for the final examinations which will finish the season's work. The average attendance at these classes has been eighteen. The bowling and basket ball teams have been active all season.

CHEER UP

Don't worry if you have to struggle. Remember that precious metals have to be purified and diamonds have to be cut.

CINCINNATI CHAPTER

We have held two open meetings this month with an attendance of about 125 at each. The interest in the study classes continues, the fact that the

board of directors have voted a first prize for general excellence, to be given at the end of the year, is a special incentive to the men enrolled.

DALLAS CHAPTER

Instead of declining at this season of the year, Dallas Chapter is assuming new life. Interest in our "Loans and Investments" class is increasing. Two weeks ago our study of the statement of a borrower was led by Mr. Wilson of Ernst & Ernst, certified public accountants. Having been a banker for a number of years and therefore familiar with the banker's viewpoint, he presented the subject—using a practical illustration—to the benefit of all present. Mr. Wilson's address was one of the most beneficial we have ever had. This week's lesson on cattle loans was directed by Mr. Savage, formerly cashier of the Tallula Bank of Tallula, Ill., and now with the City National of this city. Basing his lecture on the fundamentals of the industry, which is practically unknown to us in this section, that is the feeding of cattle for market, he clearly explained both the workings and the desirability of such loans. For the next two weeks, we are to have Mr. Wood of the Wood-Ferris Investment Co., local dealers in investments, to present the subject of stocks and bonds. In order to stabilize our educational work, an advisory committee of three bank men, graduates, has been appointed. It will be their duty to work out in detail our educational work. This we believe will prove more efficient than to have each president direct such work. Jerome K. Crossman, of the University of Texas, has again been engaged to direct the work of our Public Speaking and Debating Class during the summer. Several of the boys expect to spend the summer in this work.

S. D. Beckley.

AN EXAMPLE IN BREVITY

The creation of the world is described in the Bible in less than six hundred words. This suggestion is worth $600 but doesn't cost you a cent.

PITTSBURGH CHAPTER

The month of April is the month set apart for the entertainment of the wives, sweethearts and friends of Pittsburgh Chapter. I refer to our annual "Ladies Night" held this year in the chapter rooms, Tuesday evening, April 3. The ways and means committee, as usual, spared no expense in securing the best talent obtainable in this city, and to say that the evening was an artistic and social success is putting it mildly. Preceding the concert we held an informal dinner at the Fort Pitt Hotel, where, after enjoying the many good things to eat, we listened to a good "Ladies Night" speech by our "Official Ladies Man," D. A. Mullen. This dinner was presided over by our president, Jean Phillips.

This month we also had the honor and pleasure of a visit from our good friend, John W. Gorby of Chicago, who is the unanimous choice of that chapter for the next president of the American Institute of Banking. We entertained Mr. Gorby at an informal dinner, which was also held at the Fort Pitt Hotel. We were glad to see our friend from Chicago, and surely wish him success in his campaign. We were also honored by a visit from Buffalo Chapter, having scheduled a debate with that good chapter, to be held Thursday evening, April 19, 1917, the subject being, "Resolved, That the Rural Credit Bill as passed by the last session of Congress, is for the best interest of the people of the United States." The decision was in favor of Buffalo Chapter, which had the affirmative of the question. We are contemplating moving May 1 into the quarters recently occupied by the Pittsburgh Chamber of Commerce. When fitted up we expect to have a very sumptuous headquarters, where, as usual, we will be glad to meet the members of other chapters visiting in this city. Our educational work is progressing satisfactorily with nothing new to report.

H. E. Reed.

SAN FRANCISCO CHAPTER

On April 10, in the ballroom of the Palace Hotel, under the auspices of San Francisco Chapter, Miss Kathleen Burke, Honorary Organizing Secretary, Scottish Women's Hospitals for foreign service, gave a very interesting special lecture wherein she outlined the work being done by her society and pointed out where the bankers of the United States and firms allied with banks could be of enormous benefit in the furtherance of her work. At our annual dance, on April 11, nearly 300 of our members, together with their wives, sweethearts and friends, gathered in the mammoth Scottish Rite Auditorium. While being informal for the men, the ladies were gowned in evening attire, thus making a very pretty setting for the patriotic decoration of American flags which adorned the Auditorium. On April 13 we had the fifth of the very important war finance lecture series by Dr. David P. Barrows of the University of California. Dr. Barrows developed the following topics: "The Cost of Armament" and the "Military Naval Expenses of the United States." Coming as they did, at this critical time in the history of the United States, both topics were vitally interesting and drew about 350 members among which were many officials of San Francisco banks. Nearly 300 of our members and their friends attended a skating party at the mammoth ice palace on Saturday evening, April 14. On April 27 a smoker was held in the chapter rooms at which we had as our honored guest Dr. David P. Barrows, who delivered a short address on "San Francisco Chapter." In addition we exhibited the film play of the Protectograph Film Co., entitled "A Modern Black

Art." The monthly industrial visit was made on April 14 to the plant of the Pacific Telephone and Telegraph Co. These visits are giving the men an opportunity to study various kinds of business from which they can eventually deduct many underlying business principles which is a recognized asset in banking. Comprehensive plans are being laid for the annual dinner to be held in the Palace Hotel on May 3. On this occasion we will have many prominent speakers, including Wm. H. Crocker, president the Crocker National Bank of San Francisco; I. F. Moulton, vice-president the Bank of California, San Francisco; President Benjamin Ide Wheeler of the University of California, and Dr. David P. Barrows, Dean of the Faculty, University of California, who will give the concluding lecture of his war finance series. It is planned to have the largest affair ever held in the Palace Hotel, 1,000 men being expected. The chapter baseball tournament is now under way with every large bank in San Francisco well represented, and games are being played each Saturday. The examination in "Commercial Law" has been held and the "Banks and Banking" examination will be held May 5. This year we will have more graduates than the combined number of all former years. All our other classes will finish strong. We have had a record year and the present board of governors and officers feel well repaid for their efforts put forth. We have a large faith in the new officers proposed and we look for even greater results next year. Our membership speaks for itself. Out of a possible 1,350 we have almost 1,200 on our rolls.

LEWIS E. HAAS.

$10,000 JOBS

It is the easiest thing in the world to get a $10,000 job. All you have to do is to show somebody that you can earn double that amount. Employers generally are fifty-fifty folks.

SCRANTON CHAPTER

At our regular meeting, held April 13, the following were elected to serve for the 1917-1918 term: President, Leo A. Haggerty; vice-president, Seth D. Speck; secretary, Karl K. Withers, and treasurer, Jas. J. Gallagher. These men being paid the compliment of election to a second term without having any opposition. The following were elected delegates to the National Convention to be held in Denver: Seth D. Speck, Karl K. Withers, Frank Lally, John Greiner, Jr., Leslie S. Marsh and G. T. Parry. The feature of this meeting was the address delivered by Hon. M. F. Sando, Judge of Orphans Court of this district, his subject being the "Workings of a Modern Day Orphans Court." Chairman Reilly of the entertainment committee served a fine luncheon. It was by far the biggest meeting we have ever had, the vote on the delegates showed that seventy-three members were present. Our "Law" class has finished the season's work, the final examination taking place April 23. The present class will have eight or nine certificate men and about ten first year men. The seniors are now planning for their class dinner which is usually attended by certificate holders and bank officers. On April 19 the entertainment committee staged another open-house meeting which proved to be the best ever, "Brother" Alexander of First National, Avoca, Pa., had his quartette on the job, and "Hec" O'Malley entertained with a number of Harry Lauder and Bert Williams songs and stories. "Hec" happens to be chairman of our publicity committee and to date he has failed miserably in keeping the editor of Chaptergrams supplied with "copy." His responding to the stage Thursday night will sort of square him for his apparent neglect of his work. Scranton Chapter has taken up the work outlined by Chairman Dreher of the military committee and has had a committee at work preparing the preliminary matter for the census of all bank men in this district. The clearing house association have given us their support and every bank officer visited thus far have approved of plans as outlined. While calling on the officers relative to the census, it was discovered that they had been considering the advisability of starting a "plant-a-garden-campaign." Our committee immediately took up this work with the result that we have secured a plot known as the "Sturges plot" covering a city block and it is very suitable for our purpose. At a meeting held today, at which several bank officers were present, it was suggested that each bank permit a certain number of their employees to work this plot a certain number of hours a day, in charge of a member of the chapter familiar with this back-to-the-farm movement. Our plans now are to distribute the yield (if any) to some of our charitable institutions in this vicinity.

LEO A. HAGGERTY.

EDUCATION

Education alone can conduct us to that enjoyment which is, at once, best in quality and infinite in quantity. HORACE MANN.

RESOLUTION

When a resolute young fellow steps up to that great bully, the world, and takes him boldly by the beard, he is often surprised to find it comes off in his hand. It was only tied on to scare away some timid adventurers.

OLIVER WENDELL HOLMES.

MEMBERSHIP CHANGES

REPORTED FROM MARCH 26 TO APRIL 25, 1917.

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL-BULLETIN.

Alabama ...New Decatur ..Central National Bank. Morgan County National Bank. (Town now Albany)

Arkansas ...Greenwood..Sebastian State Bank liquidating through Farmers Bank.

California ..Los Angeles. German-American Trust & Savings Bank changed to Guaranty Trust & Savings Bank.

Colorado ...La Jara ....La Jara State Bank consolidated with First National Bank.

Connecticut .Collinsville .Canton Trust Company in hands of receiver.

Florida .....Daytona ....First National Bank suspended.

Georgia ....Elberton ...Citizens Bank consolidated with First National Bank.

Sandersville ......Cohen National Bank changed to Banking House of Louis Cohen.

Illinois ....Sheldon ....Citizens Bank changed to Citizens State Bank & Trust Co.

Indiana ....Fort Wayne. Hamilton National Bank consolidated with First National Bank as First and Hamilton National Bank.

Kentucky ..Paris ....Deposit & Peoples Bank changed to Peoples Deposit Bank & Trust Company.

Maine ......Auburn .....First National Bank changed to First Auburn Trust Co.

Massachusetts ..Boston .....Mattapan Deposit and Trust Company changed to South Boston Trust Company.

Pittsfield ...Third National Bank merged with Pittsfield National Bk.

Taunton ...Taunton National Bank succeeded by Bristol County Trust Company.

Michigan ...Detroit .....German-American Bank changed to First State Bank.

Minnesota ..Minneapolis. George B. Lane, Banker, succeeded by Lane, Pipe & Jaffray.

Montana ...Big Sandy..Security State Bank converted to First National Bank.

New York...Little Falls. National Herkimer County Bank succeeded by Herkimer Co. Trust Company.

Westfield ...Citizens Bank consolidated with National Bank of Westfield.

North Carolina ......Hertford ...Farmers National Bank succeeded by Farmers Bank & Trust Company.

Pennsylvania .....Pittsburgh .Merchants Bank merged with Continental Trust Company.

Virginia ....Newcastle ..Bank of Newcastle in hands of receiver.

Stanley ....Farmers and Merchants' Bank changed to Farmers & Merchants National Bank.

NEW AND REGAINED MEMBERS FROM MARCH 26 TO APRIL 25, 1917, INCLUSIVE.

Alabama
Bank of Columbia, Columbia.
Lineville National Bank, Lineville.
First National Bank Piedmont.

Arizona
Mayer State Bank, Mayer.

Arkansas
Bank of Bauxite, Bauxite.
Bank of Carthage, Carthage.
Bank of Cave Springs, Cave Springs.
Peoples Bank, Devall Bluff.
Bank of Dyer, Dyer.
Bank of Commerce, Earl.
Bradley County Bank, Hermitage.
Bank of Lincoln, Lincoln.
Bank of Manila, Manila.
Bank of Nimmons, Nimmons.

California
The International Bank, Calexico.
First National Bank, Chowchilla.
Glendora Bank, Glendora.
Colusa County Bank, Grimes.
First National Bank, King City.
Bank of Italy, Pico Heights Branch, Los Angeles.
Bank of Italy, Plaza Branch, Los Angeles (regained).
First State Bank, Manteca.
Ocean Park Bank, Santa Monica.
First National Bank, Walnut Creek.

Colorado
Littleton State Bank, Littleton.
Mead State Bank, Mead.
Olathe Banking Co., Olathe.
Roggen State Bank, Roggen.
First State Bank, Wiggins.

Connecticut
Society for Savings, Hartford.

Delaware
Farmers Bank, Georgetown.

Georgia
Bank of Lyerly, Lyerly (regained).
Bank of Newborn, Newborn (regained).
Chattooga County Bank, Summerville (regained).

Idaho
Bank of Ferdinand, Ferdinand.
McCammon State Bank, McCammon.
First National Bank, Wilder.

Illinois
Guaranty Banking Corp., Chicago.
Ravenswood National Bank, Chicago.
De Pue State Bank, Depue.
Evanston Trust & Savings Bank, Evanston.
The Farmers' Bank, Liberty.
Plano State Bank, Plano.
Citizens National Bank, Sycamore.

Indiana
Farmers State Bank, Boston.
Clinton Trust Co., Clinton.
Citizens Trust Co., Fort Wayne.
Marion County State Bank, Indianapolis.
Liberty Center Deposit Bank, Liberty Center.
First National Bk., Linton (regained).
Peoples State Bank, New Haven.
Pendleton Trust Co., Pendleton.
First National Bank, Shelburn.

Iowa
First National Bank, Ackley.
Altoona Savings Bank, Altoona.
The Arispe Bank, Arispe.
German American National Bank, Arlington.
Atalissa Savings Bank, Atalissa.
First National Bank, Ayrshire.
Farmers Savings Bk., Barnes City.
Bedford National Bank, Bedford.
Bentley Savings Bank, Bentley.
First National Bank, Cambridge.
The Cedar Bank, Cedar.
Chillicothe Savings Bk., Chillicothe.

Iowa (Continued)
Page County State Bank, Clarinda.
First National Bank, Coon Rapids.
Farmers Savings Bank, Dallas.
Diagonal State Bank, Diagonal.
Exchange Savings Bank, Dickens.
Hardin County National Bk., Eldora.
Farnhamville Savings Bank, Farnhamville.
Farson Savings Bank, Farson.
Commercial Nat. Bk., Fort Dodge.
Farmers Savings Bank, Fostoria.
Farmers Savings Bank, Gaza.
Farmers State Bank, Harris.
First National Bank, Humboldt.
Worth Savings Bank, Indianola.
Kellerton State Bank, Kellerton.
Citizens National Bank, Knoxville.
Lehigh Valley Savings Bk., Lehigh.
The Peyton Bank, Little Sioux.
Farmers & Merchants Savings Bank, Manly.
Calhoun County State Bk., Manson.
Farmers Savings Bank, New Albin.
Farmers Savings Bk., North Liberty.
First National Bank, Oelwein.
First National Bank, Olin.
Farmers Savings Bank, Ottosen.
Citizens State Bank, Panora.
State Bank of Prairie City, Prairie City.
Preston Savings Bank, Preston.
Citizens State Bank, Promise City.
Ringsted State Bank, Ringsted.
State Savings Bank, Rolfe.
Citizens State Bank, Russell.
Peoples Savings Bank, Seymour.
Sheffield Bank, Sheffield.
Sully State Bank, Sully.
Thornburg Savings Bk., Thornburg.
Farmers Savings Bank, Van Horne.
Farmers State Bank, Washta.
Farmers National Bk., Webster City.
West Chester Savings Bank, West Chester.
Whitten State Savings Bk., Whitten.

Kansas

First State Bank, Alton.
Beattie State Bk., Beattie (regained).
Cassoday State Bank, Cassoday (regained).
First State Bank, Healy.
Bank of McCracken, McCracken.
State Bank of McDonald, McDonald.
Manchester State Bank, Manchester.
Rolla State Bank, Rolla.

Louisiana

Bank of Collinston, Collinston.
Citizens Bk. & Trust Co., Plaquemine.

Maryland

Commercial National Bk., Snow Hill.

Massachusetts

Lenox National Bank, Lenox.

Michigan

First Commercial & Savings Bank, Durand.
State Savings Bank, Flat Rock.
Gladstone State Savings Bank, Gladstone.
Grandville State Bank, Grandville.
Chemical State Savings Bk., Midland.
Bank of Mt. Morris, Mt. Morris.
Port Austin State Bank, Port Austin.

Minnesota

First National Bank, Amboy.
Austin National Bank, Austin.
First State Bank, Castle Rock.
Polk County State Bank, Crookston.
Scandia State Bank, Fergus Falls.
Farmers State Bank, Hope.
Scanlan-Habberstad State Bank, Lanesboro.
Security Bank, Pipestone.
National Exchange Bank, St. Paul.

Mississippi

Bay Springs Bank, Bay Springs.
Crystal Springs Bk., Crystal Springs.
Bank of Drew, Drew.
Bank of Gulfport, Gulfport.
Bank of Hollandale, Hollandale.
Bank of Kilmichael, Kilmichael.
Bank of Franklin, Meadville.
Farmers Bank, Osyka.
State Bank of Sunflower, Sunflower.

Missouri

The Alma Bank, Alma.
Bass-Johnston Banking, Co., Ashland.
Citizens Bank, Avalon.
Bank of Calhoun, Calhoun.
Bk. of Camden Point, Camden Point.
Bank of Forest City, Forest City.
Harrisburg Bank, Harrisburg.
Farmers Bank, Hartsburg.
Cole County Bank, Jefferson City.
Kansas City Title & Trust Co., Kansas City.
The Traders Bank, Lexington.
Bank of Marble Hill, Marble Hill.
First National Bank, Marceline.
Citizens Bank, New Franklin.
Citizens Bank, Odessa.
First National Bank, Palmyra.
Bank of Patton, Patton.
Bank of Pleasant Green, Pleasant Green.
Rocheport Bank, Rocheport.
Tower Grove Bank, St. Louis.
First National Bk., Salem (regained).
Platte County State Bank of Ferrelview, Smithville.
Farmers State Bank, So. Greenfield.
Farmers Bank, Stephens.
The Traders Bank, Tipton.
Wellington Bank, Wellington.
Whiteside Bank, Whiteside.
Bank of Willard, Willard.

Montana

Security State Bank, Big Sandy.
First National Bank, Browning.
Carter State Bank, Carter.
Farmers State Bank, Cut Bank.
State Bank of Darby, Darby.
Farmers State Bank of East Fairview, Fairview.

Montana (Continued)

Security State Bank, Judith Gap.
First State Bank, Lambert.
The Merchants Bank, Livingston.
Loma State Bank, Loma.
Musselshell State Bank, Musselshell.
State Bank of Outlook, Outlook.
State Bk. of Plentywood, Plentywood.
State Bank of Redstone, Redstone.
Ringling State Bank, Ringling.
First National Bank, Shelby.
First State Bank, Shelby.
Sun River Valley State Bank, Simms.

Nebraska

Beatrice National Bank, Beatrice.
State Bank of Decatur, Decatur.
Nebraska State Bank, Grand Island.
Mitchell State Bank, Mitchell.
Nebraska State Savings Bk., Wahoo.

New Mexico

State National Bank, Carlsbad.
Estancia Savings Bank, Estancia.
Mountainair State Bk., Mountainair.
Citizens State Bank, Vaughn.

New York

Brasher Falls National Bank, Brasher Falls.
Bankers Trust Company, Delaware Avenue Branch, Buffalo.
Bankers Trust Co., Cold Springs Branch, Buffalo.
First National Bank, Heuvelton.
State Bank of Newfane, Newfane.
Bank of Naples, New York.
National Bk. of Santo Domingo, N. Y.
West Side Bank, New York.
Eastern District Savings Bk., B'klyn.
Bank of Orchard Park, Orchard Park.
Solvay Bank, Syracuse.
Bank of Williamsville, Williamsville.

North Carolina

Bailey Banking Company, Bailey.
Citizens Bank, Wake Forest.

North Dakota

Alexander State Bank, Alexander.
Farmers State Bank, Almont.
Farmers State Bank, Dodge.
Security State Bank, Flasher.
Farmers State Bank, Harvey.
Adams County State Bank, Hettinger.
First State Bank, Manvel.
Farmers National Bank, Portland.
Farmers State Bank, Van Hook.
First National Bank, Van Hook.

Ohio

First National Bank, Blanchester.
First National Bank, Bowerston.
Commercial & Savings Bank, Buckeye City.
Centerburg Savings Bank Co., Centerburg.
The Scioto Bank, Commercial Point.
Central Bank, Coshocton.
Deshler State Bank, Deshler.
Dresden Savings Bank Co., Dresden.
Farmers Commercial Bk., Edgerton.
Edon State Bank Co., Edon.
First National Bank, Geneva.
The Farmers Bank, Glenmont.
Farmers Savings Bank Co., Haskins.
Hubbard Banking Co., Hubbard.
Citizens National Bank, Ironton.
First National Bank, Lewisville.
German Banking Co., Lindsey.
The Central Bank, Mechanicsburg.
First National Bank, Morrow.
Third National Bank, New London (regained).
Bank of North Lewisburg, North Lewisburg.
Peoples Banking Co., Oberlin.
Citizens Savings Bk. Co., Pemberville.
First National Bank, Richwood.
Union Banking Co., West Mansfield.

Oklahoma

Bank of Aline, Aline.
Bank of Arcadia, Arcadia.
First National Bank, Buffalo.

Oklahoma (Continued)

Farmers State Bank, Cashion.
Cleo State Bank, Cleo.
American State Bank, Durant.
Bank of Haileyville, Haileyville (regained).
Farmers State Bank, Helena.
First Bank of Kemp, Hendrix.
Lindsay State Bank, Lindsay.
Bank of Millerton, Millerton.
Citizens State Bank, Minco.
Southwest Reserve Bank, Oklahoma.
Bank of Paoli, Paoli.
First National Bank, Ralston.
Scipio State Bank, Scipio.
First National Bank, Stilwell.
Farmers & Merchants Bank, Stringtown.
First State Bk., Terlton (regained).
First State Bank, Wister.

Pennsylvania

Peoples State Bank, Boswell.

South Carolina

Loan & Savings Bank, Camden.
Title Guarantee & Deposit Co., Charleston.
First National Bank, Dillon.
Farmers & Merchants Bank, Latta.
Planters & Merchants Bk., Varnville.

South Dakota

Artesian State Bank, Artesian (regained).
Minnehaha State Bank, Garretson, (regained).
Mound City State Bank, Mound City (regained).
Farmers Savings Bank, Wessington Springs.
Farmers & Merchants Bank, Willow Lake.

Tennessee

Scott County National Bk., Oneida.

Texas

Farmers State Bk., Alvin (regained).
Tenison National Bank, Dallas.
First National Bank, Detroit.
Ennis National Bank, Ennis.
Farmers State Bank, Georgetown (regained).
Guaranty State Bank, Groveton.
Merchants State Bank & Trust Co., Laredo.
First State Bank, Paris.
First State Bank, Rio Grande.

Utah

Bk. of Ephraim, Ephraim (regained).

Virginia

Basic City Bank, Basic (regained).
National Bank of Fairfax, Fairfax.
Peoples Bank of Montross, Montross.

Washington

First National Bank, Tonasket.

West Virginia

Bank of Morgan County, Berkeley Springs.
Day & Night Bank, Charleston.
The Franklin Bank, Franklin.
Bank of Morgantown, Morgantown.
Bank of Rainelle, Rainelle.
Bank of Fulton, Wheeling.

Wisconsin

Farmers State Bank, New London.

Hawaii

Security Trust Co., Hilo.

Santo Domingo

Banco Nacional de Santo Domingo, Puerto Plata.
Banco Nacional de Santo Domingo, Sanchez.
Banco Nacional de Santo Domingo, San Pedro de Macoris.
Banco Nacional de Santo Domingo, Santiago.
Banco Nacional de Santo Domingo, Santo Domingo.